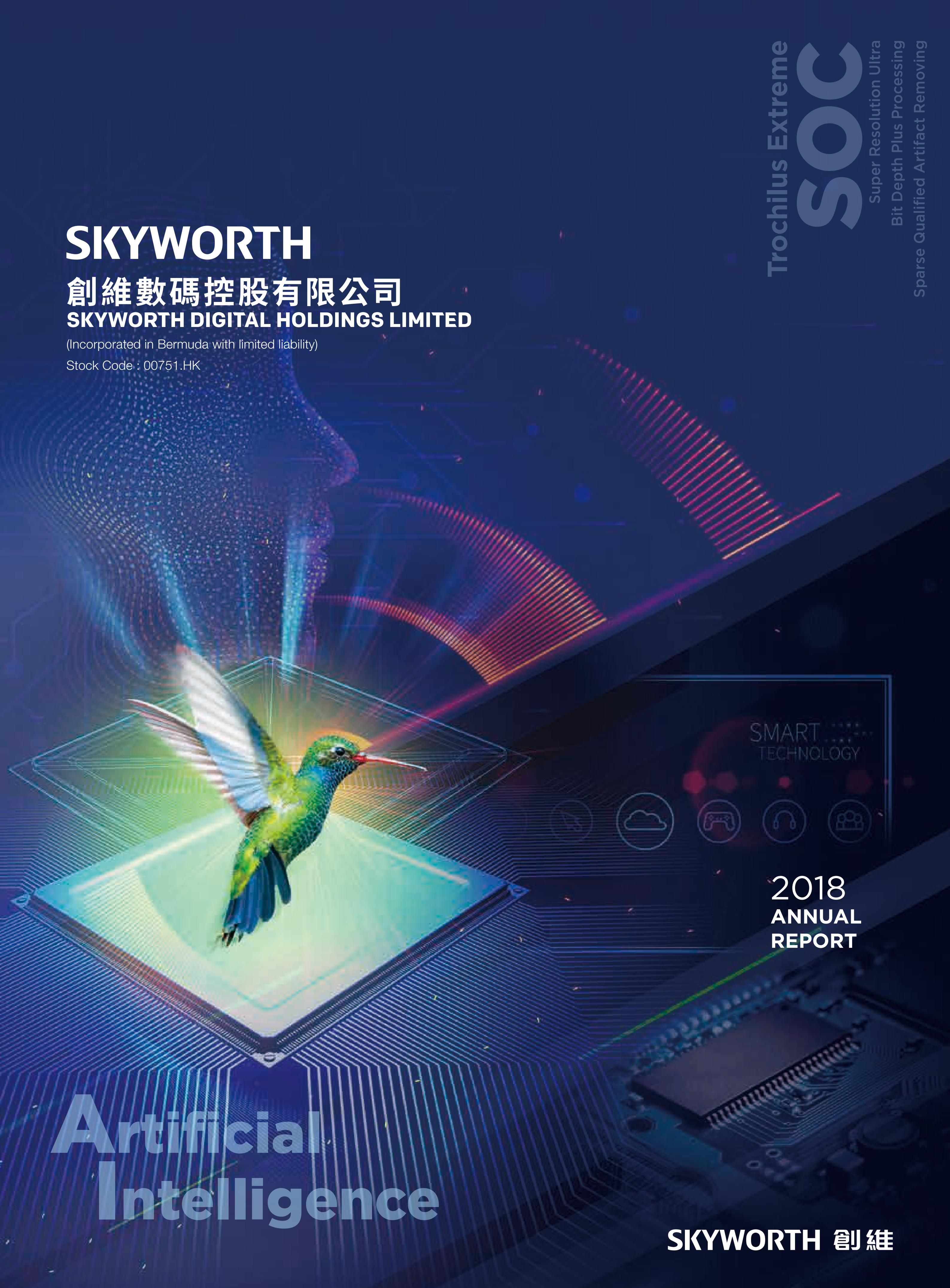
SKYWORTH

創維數碼控股有限公司
SKYWORTH DIGITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 00751.HK



2018
ANNUAL
REPORT

SKYWORTH 創維

CONTENTS

Financial Highlights

Amount expressed in RMB million (except for Share data and items specifically stated)

	For the nine months ended 31 December 2018	For the twelve months ended 31 March 2018	Change
OPERATING RESULTS			
Revenue	**30,192**	39,271	-23.1%
EBIT	**973**	1,083	-10.2%
EBITDA	**1,514**	1,759	-13.9%
Net profit for the period/year	**553**	499	+10.8%
Profit attributable to owners of the Company	**420**	459	-8.5%
FINANCIAL POSITION			
Net cash used in operating activities	**(2,318)**	(470)	+393.2%
Cash position*	**3,772**	8,142	-53.7%
Borrowings	**6,324**	7,476	-15.4%
Corporate bonds (inclusive of interest)	**2,026**	2,050	-1.2%
Equity attributable to owners of the Company	**15,470**	14,922	+3.7%
Working capital	**8,636**	9,731	-11.3%
Bills receivable	**6,942**	5,414	+28.2%
Trade receivables	**9,474**	7,003	+35.3%
Inventories	**6,031**	5,202	+15.9%
KEY RATIOS			
Gross profit margin (%)	**18.7**	16.7	+2.0pp
EBIT margin (%)	**3.2**	2.8	+0.4pp
EBITDA margin (%)	**5.0**	4.5	+0.5pp
Profit margin (%)	**1.8**	1.3	+0.5pp
ROE (%)	**2.7**	3.1	-0.4pp
Debt to equity (%)**	**48.1**	57.6	-9.5pp
Net debt to equity***	**Net Cash**	Net Cash	N/A
Current ratio (times)	**1.4**	1.4	0.0%
Trade receivable turnover period (days)****	**131**	109	+20.2%
Inventories turnover period (days) ****	**65**	62	+4.8%
DATA PER SHARE (CENTS)			
Earnings per Share – Basic (RMB)	**13.85**	15.21	-8.9%
Earnings per Share – Diluted (RMB)	**11.63**	13.81	-15.8%
Dividend per share (HK$)	**6.0**	9.0	-33.3%
Book value per share (RMB)	**566.97**	540.49	+4.9%
SHARE INFORMATION AT FINANCIAL PERIOD/ YEAR END			
Skyworth Digital Holdings Limited (shares are listed in Hong Kong, stock code: 00751)			
Number of shares in issue (million)	**3,061**	3,061	+0.0%
Market capitalisation (HK$)	**5,020**	10,805	-53.5%
Skyworth Digital Co., Limited (shares are listed in Shenzhen, stock code: 000810)			
Number of shares in issue (million)	**1,074**	1,071	+0.3%
Market capitalisation (RMB)	**5,971**	9,478	-37.0%

* *Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash*

** *(Borrowings + corporate bonds)/total equity*

*** *(Cash position + bills on hand – borrowings – corporate bonds)/total equity*

**** *Calculation based on average inventory; average sum of bills receivable and trade receivables*

CHAIRMAN'S STATEMENT

Chairman's Statement

Television used to be a rare item in Chinese households prior to the country's economic reform. Entering the 1980s, the vast majority of colour TV sets found in the Chinese households were imported – with Japanese brands dominating the domestic market with their technological advantages. Four decades after the Chinese economic reform, with painstaking efforts and unyielding commitments, China's TV manufacturers have made remarkable achievements. Up to 2018, China had already become the world's No.1 in terms of TV shipments, with Chinese brands capturing a domestic market share of over 85%. Driven by the rapid expansion of China's TV manufacturers, the Chinese manufacturing sector has established a firm foothold in the worldwide after delivering many miraculous milestones, and Skyworth is one of the contributors of this great accomplishment. Started out as a small factory making remote controls based in Shenzhen, Skyworth has become one of the key players in China's TV industry after three decades of continuous development. Not only have we witnessed the entire history of China's TV industry following the Chinese economic reform, we have also actively contributed to its development.

2018 turned out to be an extremely daunting year filled with challenges. Faced with various uncertainties, consumer confidence and consumer sentiment were compressed in both the mainland China market and overseas markets. While the mainland China market was under the influence of factors such as decelerated growth in domestic economy and the weakening of RMB, market tension also remained palpable overseas over concerns about increasing trade protectionism in the United States and the United Kingdom's exit from the European Union. Despite a decrease in the price of raw materials during the period, gross profit margin was further compressed due to a sustained rise in production costs driven by higher wages.

Despite these challenges, Skyworth Group delivered outstanding operational performance during the twelve months from 1 January 2018 to 31 December 2018 (the "Period Under Review"), under the leadership of its exceptional managerial and administrative talents, as well as its operational teams. During the Period Under Review, revenue of the Group amounted to RMB39.0 billion, representing a mild growth of 0.1% compared with RMB38.9 billion for the twelve months from 1 January 2017 to 31 December 2017 (the "Same Period of Previous Year"). The overall gross profit margin in the Period Under Review was 18.5%, representing a growth of 1.6 percentage point compared with 16.9% in the Same Period of Previous Year. Meanwhile, profit after taxation for the Period Under Review amounted to RMB839 million, representing a growth of 281.4% compared with RMB220 million recorded in the Same Period of Previous Year. While we managed to deliver satisfactory operational performance during the Current Reporting Period, there is no room for complacency, and we must keep up the good work to reach the revenue threshold of RMB100 billion.

TV business remained the key business for the Group during the Period Under Review. The TV business successfully met our sales target, recording a sales volume of over 15 million units and a revenue of RMB23,512 million during the Period Under Review, which accounted for 60.3% of the Group's total revenue. The sales volume in overseas markets was over 6.50 million units during the Period Under Review, evidencing the positive result of our strategic direction towards internationalisation, which laid a solid foundation for Skyworth Group's expansion into overseas market.

Based on analysis of the development trend within the sector, the home appliance industry is shifting its focus to products featuring smart functions, large screens and high-end finishes; industry practitioners are now committed to globalised and diversified operations, IoT development, as well as the smart home segment. As part of its efforts to stay abreast of this sector-wide development, Skyworth Group signed an investment agreement with Guangzhou Development District during the Current Reporting Period, pursuant to which it will invest RMB7 billion in the construction of an innovation base in Guangzhou for the research, development and manufacturing of 4K TVs. Construction of our Yangtze River Delta smart home appliance industry park also commenced in Chuzhou, Anhui Province during the Current Reporting Period. Furthermore, Skyworth Group also formed strategic partnerships with many giants in the domestic internet industry, bringing in strategic investment to drive its content and service-based operations to achieve new heights. In July 2018, not only did Skyworth Group introduce an omni-system solution integrating five major application scenarios of smart homes at the International Building & Construction Trade Fair to honour its commitment to building modern household systems that are "healthy, safe, convenient, comfortable and energy-efficient", it also held a strategy conference in Guangzhou, launching a number of new products, including the Skyworth "AI TV".

In light of new development opportunities for the digital and information industries created by the ongoing rapid technological development in mobile telecommunication systems, big data, cloud computing and AI, we will continue to implement the "1334 Strategy" – our overall direction for transformation and upgrading. Under this strategy, we will work to reach the revenue threshold of RMB100 billion, promote the full implementation of three key strategies (namely operation smartisation, refinement and internationalisation), proceed with constructions of three key projects (namely the Shenzhen headquarters base, the Pearl River Delta smart manufacturing base and the Yangtze River Delta smart manufacturing base), and develop four key business sectors (namely multimedia, smart appliances, smart systems technology and big data, and modern services). By implementing this strategy, we aim to transform Skyworth into a leading enterprise in the field of smart home appliances and information technology that is known for advanced technologies of its key products, effective operations and global competitiveness. To this end, we will accelerate the creation of an industrial platform for the development of smart systems and technologies, and develop business covering areas such as smart security, smart office, smart conferencing systems, smart automobile systems and smart cities by leveraging the platform of digital companies. Through these initiatives, we aim to become a supplier of advanced products for smart systems and technologies, a solution provider and a system architect. We will also advance the establishment of a business sector for manufacturing services, which will integrate operations such as purchasing, logistics, storage, maintenance and related services, thus promoting the development of manufacturing services via operational adjustment, professional collaboration as well as merger and reorganisation. At the same time, we will also speed up the development of new products and drive technological advancement. By actively promoting the application of new technologies, we aim to add a wider range of functions to conventional products, with a view to enhancing the value as well as the competitiveness of relevant products. Taking our TV business for example, has improved product structure and profitability through the successive introduction of new products, such as super TV systems and OLED series. In addition, with the launch of new products, such as smart inverter washing machines, smart automobile electronics, smart conferencing systems and smart door lock systems, we are also well positioned to promote corporate sustainability.

Chairman's Statement

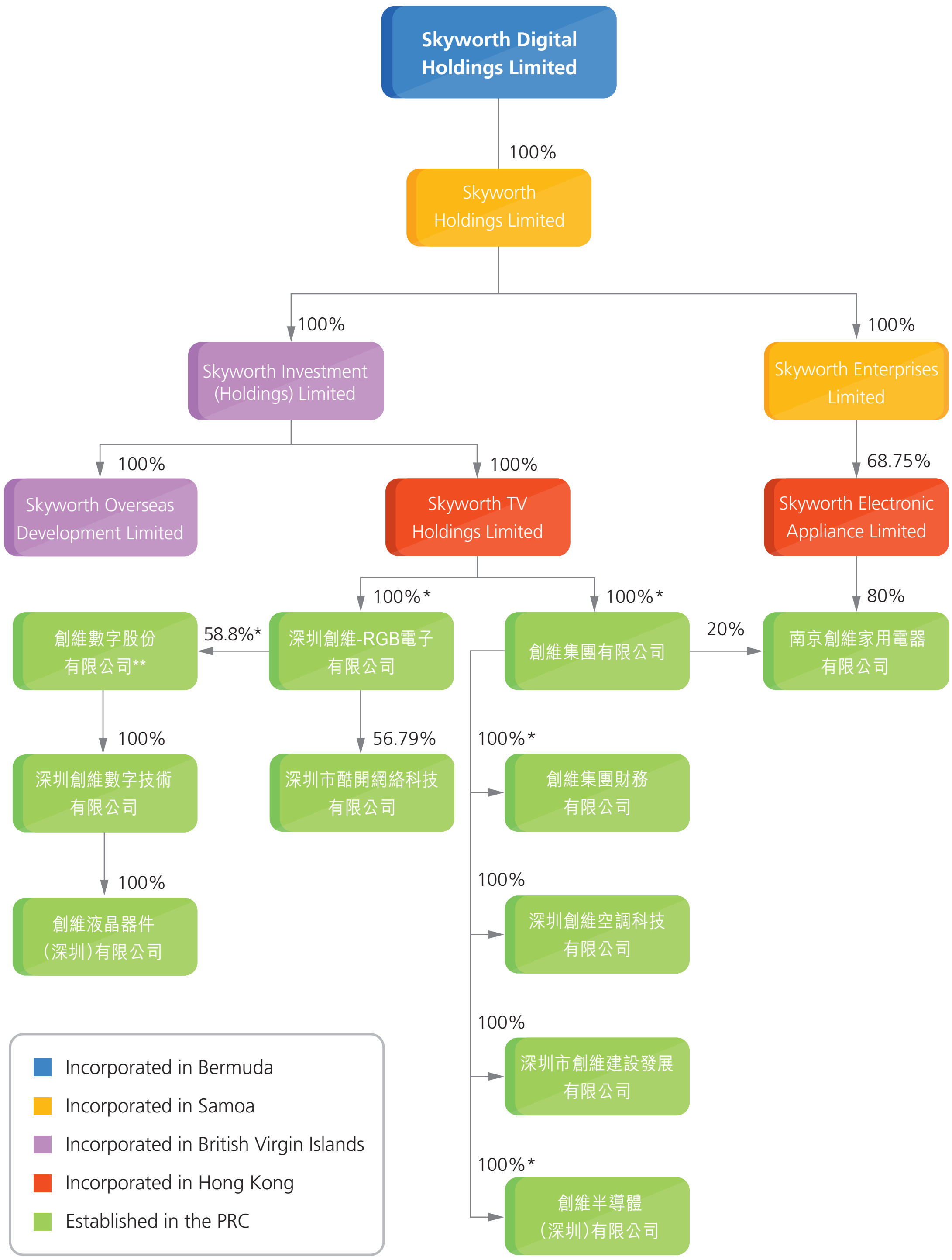
For over three decades, Skyworth has stayed true to its operating philosophy of maintaining technological advantage, offering premium quality, prioritising efficiency and sharing results. Skyworth is therefore committed to a people-oriented approach and a customer-focused strategy, while maintaining its five focus areas: focusing on product research and development to pursue technological advantage; focusing on product manufacturing to offer market-leading quality; focusing on product sales to become a market leader; focusing on process refinement to create managerial leadership; and focusing on user needs to be a leader in service delivery. Skyworth has become a leader in China's TV industry, while serving as a state-accredited enterprise technology centre and an industrial design centre to promote technological innovation. Furthermore, Skyworth has had the honour of being selected as one of the first exemplary enterprises for smart manufacturing in the national "Made in China 2025" plan. To fulfil our new missions in the new era, we need to make new accomplishments while taking up new responsibilities. I have every faith that the 37,000 members of our Skyworth family will work together to honour our corporate philosophy of "innovation, entrepreneurship and pursuing future growth", so that we can aim for the stars and reach new heights.

Last but not least, on behalf of the board, I would like to extend our most sincere gratitude towards all of our shareholders, suppliers, customers and other business partners for their continuous support and trust. I would also like to thank all of our staff members and management personnel, who are the cornerstone of our success and sustainable development, for their dedication and contribution. In the coming year, we will continue to work closely with relevant stakeholders, overcome any potential challenge and seize any practicable opportunity, all with a view to guiding Skyworth Group to deliver on the hundred billion revenue threshold and create greater returns for our shareholders.

Yours sincerely,

Lai Weide
Chairman of the Board
28 March 2019

Simplified Corporate Structure



As at 31 December 2018

* *Effective Interest of Skyworth Digital Holdings Limited ("the "Company")*

** *Shares are listed on Shenzhen Stock Exchange, stock code: 000810.*
The effective interest held by the Company included 1.59% equity interest held under treasury shares of a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE REVIEW

During the nine months from 1 April 2018 to 31 December 2018 (the "Current Reporting Period"), the consolidated revenue of the Group was RMB30,192 million (the twelve months from 1 April 2017 to 31 March 2018 (the "Previous Year"): RMB39,271 million). The profit after tax of the Group of the Current Reporting Period was RMB553 million (Previous Year: RMB499 million). The gross profit margin was 18.7% (Previous Year: 16.7%).

Note A

As disclosed in the Company's announcement dated 14 March 2019, based on a preliminary assessment of the unaudited consolidated management accounts of the Group, the board of directors of the Company had expected at least 20% increase in the Group's profit after taxation for the Current Reporting Period when compared to that for the twelve months ended 31 March 2018. Having further estimation of provision for credit losses in respect of certain financial instruments as required by Hong Kong Financial Reporting Standards 9 Financial Instruments which becomes effective for the annual periods of the Group beginning on or after 1 January 2018 and discussed with the Company's auditors, the Company therefore determined to recognise further impairment losses (see note 11 to the consolidated statement of profit or loss and other comprehensive income) in the Group's audited consolidated financial statements for the nine months ended 31 December 2018 thereby causing a decrease in the anticipated level of net profit of the Group for such period.

Note B

The Group's subsidiaries incorporated in the People's Republic of China (the "PRC") are statutorily required to prepare their accounts with a financial year end date of 31 December. The Board resolved on 4 July 2018 that the financial year end date of the Company would be changed from 31 March to 31 December, so as to align its financial year end date with that of the Group's subsidiaries in the PRC, and to facilitate preparation of the consolidated financial statements of the Group. This is the first financial year after the change, reporting period of the financial statements presented therefore covers the nine months from 1 April to 31 December 2018, while relevant comparative figures cover the twelve months from 1 April 2017 to 31 March 2018.

Following the change, a whole year of the new financial year will cover a period starting from 1 January and ending on 31 December of the same year. To facilitate a better understanding of the Group's operating results in the new financial year, the Group also presents, on a voluntary basis, the unaudited financial results for the twelve months from 1 January to 31 December 2018 and the unaudited financial results for the twelve months from 1 January to 31 December 2017 for comparison.

Note C

In addition, the presentation currency for the Group's consolidated financial statements has been changed from HK$ to RMB, as (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency will also reduce the impact of any fluctuations in the exchange rate of HK$ against RMB, which is unrelated to the operations of the Group and is beyond its control, on the consolidated financial statements of the Group.

The unaudited financial results for the twelve months from 1 January to 31 December 2018 and those from 1 January to 31 December 2017 are as follows:

	1 January to 31 December 2018 (Unaudited) RMB million	1 January to 31 December 2017 (Unaudited) RMB million	**1 January to 31 December 2018 vs 1 January to 31 December 2017 Increase/ (decrease)**
Revenue	**38,978**	38,935	0.1%
Gross profit	**7,194**	6,596	9.1%
Gross profit margin	**18.5%**	16.9%	1.6p.p.
Selling and distribution expenses	**(3,689)**	(4,125)	(10.6%)
General and administrative expenses	**(2,764)**	(2,441)	13.2%
Profit before taxation	**1,033**	435	137.5%
Income tax expense	**(194)**	(215)	9.8%
Profit for the year	**839**	220	281.4%

Revenue

For the nine months ended 31 December 2018, the Group's overall revenue amounted to RMB30,192 million (twelve months ended 31 March 2018: RMB39,271 million).

For the twelve months ended 31 December 2018, the Group's overall revenue amounted to RMB38,978 million, representing a mild growth of 0.1% compared with the Same Period of Previous Year.

During the Period under Review, prospect of the domestic home appliance market became increasingly uncertain with intensified competition and new retail models making imposing debut. While the home appliance industry reported growth as a whole, it was delivered at a slower pace. In addition, relying on momentum from emerging markets and competitive advantages in the sector, Chinese home appliance companies made further progress in the "going global" initiative, gradually accelerating their international expansion as growths in international home appliance markets stabilised. However, the US-China trade war also created many uncertainties for the development of international markets. Under this backdrop, the Group continued to adhere to its development philosophy of being a "technological leader" and developing "health-focused technologies", it therefore focused on consumer experience and the improvement of product competitiveness, made structural adjustments in relation to its TV products and customer base, as well as fully leveraged on advantages as an early mover amid the trend of accelerated penetration of OLED TV to further increase its market share through the introduction of products offering greater value for money. Meanwhile, not only did the Group record fast growth in revenue from its internet-based content, it also delivered year-on-year growths in the digital set-top boxes businesses, the Group therefore maintained growth in overall revenue on a year-on-year basis.

For the twelve months from 1 January to 31 December 2018 and from 1 January to 31 December 2017, the Group's sales volume of TV by products and markets are as follows:

	1 January to 31 December 2018 Unit ('000)	1 January to 31 December 2017 Unit ('000)	1 January to 31 December 2018 vs 1 January to 31 December 2017 Increase/ (Decrease)
PRC Market	**8,804**	7,813	12.7%
Including:			
– 4K TV	**5,003**	4,302	16.3%
– Non-4K TV	**3,801**	3,511	8.3%
Overseas Market	**6,512**	7,770	(16.2%)
Total TV sales volume	**15,316**	15,583	(1.7%)

As of 31 December 2018, the Group's user population of Skyworth Smart TV in the PRC market was as below:

– Accumulated activated users for internet TV: 36,163,376

– Weekly active users for Smart TV: 18,460,052

– Daily active users for Smart TV: 13,653,827

(a) Business Review by Geographical Segments

The Group's operations have been expanded worldwide, including mainland China and other regions in Asia, Africa, Europe and America, with mainland China being the primary market.

Mainland China Market

For the nine months ended 31 December 2018, revenue from the mainland China market amounted to approximately RMB22,279 million (twelve months ended 31 March 2018: RMB25,831 million).

For the twelve months ended 31 December 2018, revenue from the mainland China market amounted to approximately RMB28,236 million, representing an increase of RMB2,729 million or 10.7% compared with the Same Period of Previous Year.

During the Period under Review, the Group's multimedia business, smart systems technology business and smart appliances business each accounted for 59.2% (from 1 January to 31 December 2017: 67.1%), 20.3% (from 1 January to 31 December 2017: 19.0%) and 9.9% (from 1 January to 31 December 2017: 10.7%) of its revenue from the mainland China market, while modern services business and other operations attributed the remaining 10.6% (from 1 January to 31 December 2017: 3.2%).

Overseas Markets

For the nine months ended 31 December 2018, revenue from overseas markets amounted to RMB7,913 million (twelve months ended 31 March 2018: RMB13,440 million), equivalent to 26.2% of the Group's overall revenue.

For the twelve months ended 31 December 2018, revenue from overseas markets amounted to RMB10,742 million, equivalent to 27.6% of the Group's overall revenue, representing a decrease of RMB2,686 million or 20.0% compared with RMB13,428 million recorded in the Same Period of Previous Year. In pursuit of greater stability, the Group's OEM operation in overseas markets adjusted its customer and order structure, resulting in a significant decrease in revenue overseas during the Period under Review.

Geographical distribution of revenue in overseas markets

The Group's main overseas markets are Asia, Middle East and Africa. The geographical distribution of the revenue in proportion for overseas markets is illustrated as follows:

	Nine months ended 31 December	Twelve months ended 31 December	
	2018	**2018**	2017
	(%)	**(%)**	(%)
Asia (excluding Middle East)	**56**	**52**	53
Middle East	**13**	**14**	13
Africa	**13**	**13**	7
Europe	**12**	**12**	13
America	**5**	**8**	13
Oceania	**1**	**1**	1
	100	**100**	100

For revenue analysis concerning the mainland China market and overseas markets, please refer to the section headed "Business Review by Business Sectors".

(b) Business Review by Business Sectors

The Group has announced its overall strategic direction for upgrading through reformation for the next five years (also known as the "1334 Strategy"), covering four key business sectors, including: 1. Multimedia Business; 2. Smart Systems Technology Business; 3. Smart Appliances Business; and 4. Modern Services Business.

1. *Multimedia business*

The Group's multimedia business covers, among others, TV, content-based development and operation.

1.1 TV products (PRC market)

For the nine months ended 31 December 2018, the Group's TV products recorded a revenue of RMB12,473 million in the mainland China market (twelve months ended 31 March 2018: RMB16,660 million).

During the Period under Review, through its self-developed AI chips, named "hummingbird" and "chameleon", the Group significantly improved image quality and colour performance of its TV products, with a significant enhancement in voice interaction. Having built a strong voice-based search platform, "Xiao Wei（小維）", our newly introduced virtual assistant, can accurately receive and fully comprehend commands given by users to address their needs, making human-computer interaction more comfortable and accessible. In addition, the Group also introduced a brand-new AI TV series, creating competitive advantages through differentiation in voice-based functions, and exploring a new arena for AI TV. Meanwhile, as the first mainland-based manufacturer to successfully achieve mass production of OLED screens, Skyworth has developed and started the mass production of more than 10 models of OLED TV as of the date of this report, enabling the Group's TV business to secure a leading position in mainland China's OLED market.

For the twelve months ended 31 December 2018, revenue recorded for TV products in the mainland China market amounted to RMB16,201 million, representing a decrease of RMB647 million or 3.8% from RMB16,848 million in the Same Period of Previous Year. For the twelve months ended 31 December 2018, as the Group continued to focus on promoting large-sized 4K TV, the monthly sales volume of 4K smart TV increased by 16.3% year on year, this contributed to a year-on-year increase of 12.7% in our average monthly sales volume; meanwhile, the monthly sales volume of non-4K TV in the mainland China market also grew by 8.3% year on year. However, in order to cope with fierce competition in the marketplace, the Group adjusted the unit rates of its TV products in the mainland China market. As a result, for the twelve months ended 31 December 2018, revenue from the Group's TV products in the mainland China market recorded a mild decrease from the Same Period of Previous Year.

1.2 TV products (Overseas market)

For the nine months ended 31 December 2018, revenue recorded for the Group's TV products in overseas markets amounted to RMB5,252 million (twelve months ended 31 March 2018: RMB10,326 million).

For the twelve months ended 31 December 2018, revenue recorded for the Group's TV products in overseas markets amounted to RMB7,311 million, representing a decrease of RMB2,761 million or 27.4% compared with RMB10,072 million recorded in Same Period of Previous Year.

By seizing great advantages and opportunities arising from the "Belt and Road" national initiative, the Group is committed to improving its global deployment through the strategy of "internationalisation". However, global operation has become more difficult due to rising trade protectionism, as various countries continue to raise import tariffs to safeguard national interests and improving domestic employment. Meanwhile, as exports of emerging markets, such as Brazil, Argentina, Turkey and Russia, now face serious set-backs due to significantly lower exchange rates, operations have also become more challenging for existing customers. In order to ensure stability and continuity of our operations, the Group has adopted relatively conservative sales strategies. As a strategic decision, the Group cancelled projects of low profit margin, leading to a decline in revenue from its OEM business.

Through the model of Original Equipment Manufacturer ("OEM"), Original Design Manufacturer ("ODM") and the establishment of overseas sales office, the Group's own TV brand focused on promotional and marketing campaigns over the years, managing to gain increasing popularity and visibility in overseas markets. However, due to the late formation of its business layout, subdued market activities and limited sales channels, as well as growing pessimistic sentiment over economic prospects in Europe, our European business had to reduce its operation scale to manage risks and accelerate inventory turnover.

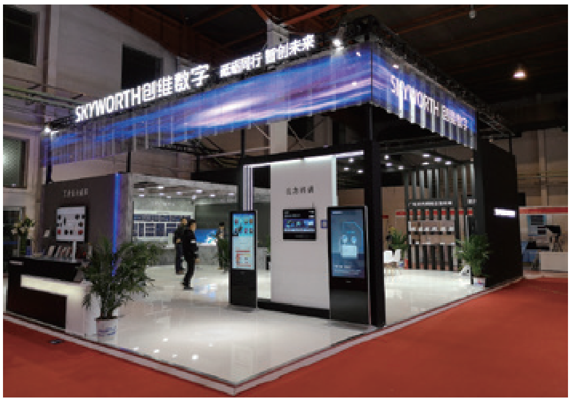
1.3 Internet-based content

For the nine months ended 31 December 2018, revenue from the Group's internet-based content amounted to RMB415 million (twelve months ended 31 March 2018: RMB266 million).

For the twelve months ended 31 December 2018, the Group saw a significant growth of RMB271 million or 113.4% in revenue from its internet-based content, which increased to RMB510 million from RMB239 million in Same Period of Previous Year. As of 31 December 2018, Skyworth had over 36 million activated users for its smart TV in the Chinese market, and had attracted over 13 million daily active users. Our industrial deployment strategy of "hardware + content" is well received by internet-based enterprises: Beijing iQIYI Science & Technology Co., Ltd.*（北京愛奇藝科技有限公司）("iQIYI"), an affiliate of Tencent Holdings Limited ("Tencent") and an affiliate of Baidu Holdings Limited*（百度控股有限公司）("Baidu") have all successively invested in Shenzhen Coocaa Network Technology Company Limited*（深圳市酷開網絡科技有限公司）("Shenzhen Coocaa", an indirect non-wholly owned subsidiary of the Company). We are confident that building on the joint efforts of these giants in the internet industry, our smart-home and smart-city businesses will be growing at an even faster pace.

2. *Smart systems technology business*

Smart systems technology business covers, among others, digital access systems, automotive electronic systems, smart office & conference systems, and smart security systems.



2.1 *Digital set-top boxes and liquid-crystal display ("LCD")*

For the nine months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in the mainland China market amounted to RMB3,908 million (twelve months ended 31 March 2018: RMB4,718 million).

For the twelve months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in the mainland China market amounted to RMB5,120 million, representing an increase of RMB688 million or 15.5% from RMB4,432 million recorded in the Same Period of Previous Year.

During the Period under Review, smart integrated terminal box on domestic radio and television market recorded greater weighting of sales, and our ONU access terminals has captured bigger market share. Our market share and coverage in the centralised procurement market of China Telecom have further increased. As we won bids for more than 10 provinces in China Unicom's intelligent gateway programme, we have become one of its core suppliers, with a steady growth in share of its procurement. We also supply our products to three own brands of China Mobile, and our intelligent gateway products have been launched through the Internet of Things (IoT) in provinces where it operates. In cooperation with Baidu, the Group launched Skyworth Xiao Pai（小湃）smart OTT speaker box for television, a first-to-market artificial intelligence (AI) interactive product centred on a TV-based giant screen ecology. As a multi-functional system integrating intelligent audio + TV set-top box + home theatre + karaoke system + intelligent ecology, it is powered by duer OS AI system developed by Baidu and integrates features of duer OS (including voice recognition and voice understanding) as well as Baidu's content database, encyclopaedic knowledge, stock information, weather, video streaming and internet-based application.

For the nine months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in overseas markets amounted to RMB1,673 million (twelve months ended 31 March 2018: RMB2,323 million).

For the twelve months ended 31 December 2018, revenue recorded for digital set-top boxes and LCD modules in overseas markets amounted to RMB2,188 million, representing a decrease of RMB278 million or 11.3% from RMB2,466 million recorded in the Same Period of Previous Year.

During the Period under Review, the Group's digital set-top boxes business recorded large volume of sales in overseas markets, including Asia Pacific, South Africa, India, South America and Europe. On the other hand, in response to the emerging market demand featured by the trend towards IP, the Company has also made significant investment in the research and development of new product series for the Android ecosystem. By establishing strategic partnership with companies such as Google and Netflix, not only has the Company made new breakthroughs in a number of areas based on the Android ecosystem, such as IPTV, DVB + OTT and OTT in overseas markets, it also initiated the sales of end products such as Pay-TV, Android TV and OTT smart box, as well as broadband access products like PONs.

3. *Smart appliances business*

Smart appliances business covers, among others, smart white appliance (such as smart refrigerators, smart washers, etc.) and other smart appliances (such as smart air conditioners, smart kitchen appliances, etc.)

3.1 Smart White appliance

For the nine months ended 31 December 2018, revenue recorded for smart white appliance products amounted to RMB1,634 million (twelve months ended 31 March 2018: RMB1,812 million) in the mainland China market, and RMB467 million (twelve months ended 31 March 2018: RMB453 million) in overseas markets.

For the twelve months ended 31 December 2018, revenue recorded for smart white appliance products in the mainland China market amounted to RMB2,052 million, representing an increase of RMB304 million or 17.4% compared with RMB1,748 million recorded in the Same Period of Previous Year. Revenue from overseas markets amounted to RMB618 million, representing an increase of RMB248 million or 67.0% compared with RMB370 million recorded in the Same Period of Previous Year.

3.2 Other Smart appliances business

For the nine months ended 31 December 2018, revenue recorded for other smart appliance products amounted to RMB526 million (twelve months ended 31 March 2018: RMB1,015 million) in the mainland China market, and RMB139 million (twelve months ended 31 March 2018: RMB115 million) in overseas markets.

For the twelve months ended 31 December 2018, revenue recorded for other smart appliance products in the mainland China market amounted to RMB736 million, representing a decrease of RMB245 million or 25.0% compared with RMB981 million recorded in the Same Period of Previous Year. Revenue from overseas markets amounted to RMB166 million, representing an increase of RMB48 million or 40.7% compared with RMB118 million recorded in the Same Period of Previous Year.

During the Period under Review, Skyworth was fully committed to improving the performance of its smart appliances business through the synergy between products and sales channels. Following the product-driven approach, Skyworth upgraded its products towards high-end finishes, smart capabilities and refined services; and with the channel-driven approach, not only did Skyworth deliver a comprehensive upgrade that covered marketing, branding, operation scale and values, it also continued to improve its sales-channel layout, thereby achieving omni-channel coverage in large chain stores, e-commerce platforms and brick-and-mortar stores. Revenue of smart appliance products increased as a result.

As the home appliance industry evolves towards the development of products featuring smart functions and high-end finishes, product performance and structural upgrade have become the main priority as the sector moves forward. Concentrating additional resources on the delivery of "health benefits", "energy efficiency" and "smart functions" through enhanced product research and development, Skyworth aims to embed technological innovation and smart technology into its products. During 2018, the Group launched an i-DD voice-commanded washing machine with dual-cleaning function. Equipped with the 3rd generation of AI voice system, not only can this model deliver doubled cleaning efficiency on top of numerous advanced functions, such as "offline operation, multi-lingual capacity, multiple microphones, upgraded support, multi-scenario application and over 60 commands", it is also equipped with a direct-drive converter-fed DC motor and our i-health system, delivering high energy efficiency and durability. This voice-commanded new product with dual-cleaning function also offers a wide range of health technologies, it can prevent cross-contamination caused by pollutants and detergent residue in the drum, adding extra protection for a healthy life. Furthermore, through the introduction of refrigerator series offering features such as smart IoT connectivity, air cooling, even cooling and direct cooling, Skyworth also managed to achieve omni-platform and omni-capacity coverage, signifying its successful entry into the upscale market.

Skyworth continues to optimise its traditional channels and structures in the domestic market: on the one hand, it is upgrading from a county-and-village-based network to one that covers mega cities and super mega cities; on the other, it is also upgrading from small outlets to large home appliance stores. To expand its footprint to international markets, Skyworth has established a global presence. In addition to a globalised market network that covers several regions, including Europe, Southeast Asia, Middle East, Africa and South America, Skyworth has also formed overseas subsidiaries, all in a concerted effort to solidify existing foundation while engaging in ongoing exploration and expansion. We have every faith that Skyworth will continue to grow, make greater progress and further expand its sales network in the future.

Gross profit margin

For the nine months ended 31 December 2018, the overall gross profit margin of the Group was 18.7% (twelve months ended 31 March 2018: 16.7%).

For the twelve months ended 31 December 2018, the overall gross profit margin of the Group was 18.5% representing an increase of 1.6 percentage points in comparison to 16.9% recorded in the Same Period of Previous Year.

During the Period under Review, multiple integrated methods were adopted to increase the gross profit margin of our TV products. In light of a reduction in the price of upstream panel, the Company lowered prices in line with market trends, and launched the MAXTV and OLED series, which focused on user experience through product differentiation, thus further expanding its presence in larger-sized (55-inch and over) products. At the same time, the Group disposed of cooperative projects of low and negative gross profit margin in overseas markets, reinforced cooperation with core customers, thereby further improving service standards and product competitiveness. As a result, the gross profit margin of our TV products in overseas markets increased on a year-on-year basis.

Relying on strong research and development capabilities, our digital set-top boxes have been well received by customers. During the Period under Review, the Group managed to offset part of the effect from higher raw material prices through an appropriate increase in product prices. Additionally, we also increased the shipment proportion of products of high added-values, which drove a year-on-year growth in both gross profit margin and revenue as compared with the Same Period of Previous Year. As a result, digital set-top boxes made greater contribution to the Group's growth in gross profit margin during the Period under Review.

Expenses

For the nine months ended 31 December 2018, the Group's selling and distribution expenses amounted to RMB2,862 million (twelve months ended 31 March 2018: RMB3,873 million). The selling and distribution expenses to revenue ratio for the nine months ended 31 December 2018 was 9.5% (twelve months ended 31 March 2018: 9.9%).

For the twelve months ended 31 December 2018, the Group's selling and distribution expenses amounted to RMB3,689 million, representing a decrease of RMB436 million or 10.6% compared with the Same Period of Previous Year. The selling and distribution expenses to revenue ratio for the twelve months ended 31 December 2018 was 9.5%, which dropped by 1.1 percentage points from that recorded in the Same Period of Previous Year.

For the nine months ended 31 December 2018, the Group's general and administrative expenses amounted to RMB2,160 million (twelve months ended 31 March 2018: RMB2,472 million). The general and administrative expenses to revenue ratio for the nine months ended 31 December 2018 was 7.1% (twelve months ended 31 March 2018: 6.3%).

For the twelve months ended 31 December 2018, the Group's general and administrative expenses amounted to RMB2,764 million, representing an increase of RMB323 million or 13.2% compared with the Same Period of Previous Year. The general and administrative expenses to revenue ratio for the twelve months ended 31 December 2018 was 7.1%, which rose by 0.8 percentage points from that recorded in the Same Period of Previous Year.

Since the Group devoted enormous resources during the Current Reporting Period to the research and development of premium smart products and the improvement of its corporate competitiveness, a corresponding increase was recorded in research and development expenses, which amounted to RMB1,327 million for the nine months ended 31 December 2018 (twelve months ended 31 March 2018: RMB1,498 million). Research and development expenses amounted to RMB1,688 million for the twelve months ended 31 December 2018, representing an increase of RMB257 million or 18.0% compared with the Same Period of Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW MANAGEMENT

The Group adopts a prudent financial policy to maintain stable financial conditions. As at 31 December 2018, net current assets was RMB8,636 million, representing a decrease of RMB1,095 million or 11.3% when compared with that as at 31 March 2018, also a decrease of RMB83 million or 1.0% when compared with those as at 31 December 2017. As at 31 December 2018, bank balances and cash amounted to RMB3,314 million, representing a decrease of RMB3,980 million or 54.6% when compared with those as at 31 March 2018, also a decrease of RMB3,135 million or 48.6% when compared with those as at 31 December 2017. As at 31 December 2018, pledged bank deposits amounted to RMB123 million, representing a decrease of RMB211 million or 63.2% when compared with those as at 31 March 2018, also a decrease of RMB235 million or 65.6% when compared with those as at 31 December 2017. As at 31 December 2018, restricted bank deposits amounted to RMB335 million, representing a decrease of RMB179 million or 34.8% when compared with those as at 31 March 2018, also a decrease of RMB239 million or 41.6% when compared with those as at 31 December 2017.

The Group secured certain assets against its certain trade facilities and loans granted from various banks. As at 31 December 2018, such secured assets included bank deposits of RMB123 million (as at 31 March 2018: RMB334 million), trade receivables of RMB25 million (as at 31 March 2018: RMB26 million), bills receivables of RMB500 million (as at 31 March 2018: RMB460 million), as well as certain prepaid lease payments on land use rights, lands and properties in mainland China and Hong Kong, with net book value of RMB242 million (as at 31 March 2018: RMB260 million).

As at 31 December 2018, total bank loans amounted to RMB6,324 million (as at 31 March 2018: RMB7,476 million; as at 31 December 2017: RMB6,608 million), corporate bonds (inclusive of interest) amounted to RMB2,026 million (as at 31 March 2018: RMB2,050 million; as at 31 December 2017: RMB2,026 million). Overall interest-bearing liabilities of the Group were RMB8,350 million (as at 31 March 2018: RMB9,526 million; as at 31 December 2017: RMB8,634 million), equity attributable to owners of the Company amounted to RMB15,470 million (as at 31 March 2018: RMB14,922 million; as at 31 December 2017: RMB14,204 million). The debt to equity ratio revealed as 48.1% (as at 31 March 2018: 57.6%; as at 31 December 2017: 56.1%).

TREASURY POLICY

The Group's major investments and revenue streams are derived from mainland China. The Group's assets and liabilities are mainly denominated in RMB, others are denominated in HK$, US dollar and Euro. The Group uses general trade financing to fulfil the needs in operating cash flow. In order to reduce finance costs, the Group exploits the currency-based and income-based financial management tools introduced by banks to offset such costs. The management of the Group regularly reviews changes in foreign exchange rates and its interest rate exposures, in order to determine the need on hedging of foreign exchange. However, faced with a number of uncertainties, including, among others, the US-China trade war, the UK's exit from the EU and another interest-rate hike cycle, it is now more difficult to predict future changes in interest rates. For the nine months ended 31 December 2018, the Group recorded a net foreign exchange gain of RMB67 million (twelve months ended 31 March 2018: loss of RMB246 million) associated with general operation.

In addition, the Group still holds the following investments during the Current Reporting Period:

(a) Unlisted equity securities

As of 31 December 2018, the Group held investments in 40 unlisted companies. The total value (at fair value) of these investments (net of changes in fair value and costs) was RMB1,911 million, of which RMB1,489 million represented the Group's investment in a PRC investee company in which the Group held 10% equity interest. The principal business activity of such investee company is manufacturing and sale of flat screen display, display materials, LCD related products and other electronic accessories.

(b) Listed equity securities

As of 31 December 2018, the Group held two listed equity securities, details of which are as follows:

Listed company	Shareholding as at 31 December 2018	Value of investment as at 31 December 2018 (RMB million)	Value of investment as at 31 March 2018 (RMB million)	Exchange on which the securities are listed	Principal business of the listed company
Chigo Holding Limited	5.04%	27.9	34.8	The Stock Exchange of Hong Kong Limited	Manufacturing and sale of air-conditioners
Ningbo Exciton Technology Co., Limited	0.89%	18.2	28.8	The Shenzhen Stock Exchange	Manufacturing and sale of flat screen displays

The management looks upon these two listed equity securities as medium to long term investments, and their businesses are similar to those of the Group. Our judgment on their performance coincides with the whole electronic industry, which is one of the main business sectors being advocated by the Chinese government, though returns from these investments might still be affected by market uncertainties. The management will take a prudent approach to deal with these investments and take necessary actions to cope with market changes.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

For the nine months ended 31 December 2018, in order to cope with the increased production scale and improved output ratio of smart products, the Group invested a total of approximately RMB325 million in construction projects, including the expansion of its production plants in Nanjing, Guangzhou and Shenzhen, and approximately RMB535 million for purchasing machinery and other equipment for production lines and improvement of facilities in former production plants. The Group planned to further invest approximately RMB569 million in building properties, plants, office premises and purchasing new equipment, with a view to further increasing productivity, improving operation efficiency for its products, as well as catering for future business needs in the development of intelligent, diversified and internationalised products.

For the nine months ended 31 December 2018, having made a successful bid through an open tender auction, a subsidiary of the Group purchased a parcel of land located in Quanjiao County, Anhui Province, the PRC, at the consideration of approximately RMB1,052 million. This land parcel has a site area of 497,559 sq.m., and the Group intends to develop it, for sale purposes, into a residential area with commercial facilities.

CONTINGENT LIABILITIES

There are individual patent disputes which arise from time to time in the ordinary course of the business of the Group. The Group is in the course of processing these matters. The directors of the Company are of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

HUMAN RESOURCES CAPITAL

As at 31 December 2018, the Group had around 37,000 employees in China (Hong Kong and Macau inclusive) and overseas (as at 31 March 2018: 36,000), including sales personnel situated throughout 33 branches and 239 sales offices. The Group places high emphasis on fundamental employee benefits, appraisal systems, long-term and short-term incentive schemes, in an effort to motivate and recognise staff with outstanding contributions and performance. The Group allocates substantial resources for staff development, focusing on pre-employment and on-the-job trainings, providing periodical updates on the latest industrial trends, policies and guidelines to improve the quality of human capital. Meanwhile, the Group continues to strengthen the infrastructure of human resources, provides guidance on position titles, salary norms, and gradually establishes a long-term centralised mechanism for the selection, training and development of industry leaders. It also sets up a specified department to enhance the professionalism of general staff and the leadership skills of its senior management.

The Group's remuneration policy is determined with reference to individual performance, functions and conditions of human resources market.

OUTLOOK

Looking ahead, enabled by fast economic and scientific development, people are becoming keener on improving their quality of life. Driven by innovation resulting from the internetisation, digitalisation and smartisation of various technologies, such as the internet, IoT, AI, cloud computing and big data, the Group is now operating in a new era of home appliance industry and consumption upgrade, with accelerated development of home appliances towards high-end finishes, smart capabilities and multiple functions. While the home appliance industry is faced with daunting challenges, it is also given great opportunities for future development. The Group will pay close attention to the trends in the global electronic information industry, fully comprehend new features and new technologies emerging in the smart home appliance industry, prioritise innovation-driven, technology-driven and capacity-driven development, with a view to staying focused on the promotion of transformation and upgrading.

To accelerate its reform and upgrade, the Group actively takes part in the national initiative of developing China into a manufacturing powerhouse. Adhering to its corporate philosophy of "innovation, entrepreneurship and pursuing future growth", the Group has established a five-year overall strategic direction for upgrading through reformation (also known as the "1334 Strategy"), under which it will organise operations around the objective of reaching the revenue threshold of one hundred billion, which will entail the full implementation of three key strategies, namely operation smartisation, refinement and internationalisation. By promoting the construction of its three key projects (namely the headquarters base, the Pearl River Delta smart manufacturing base and the Yangtze River Delta smart manufacturing base), together with the development of its four key business sectors (namely multimedia, smart appliances, smart systems technology and modern services), the Group aims to transform Skyworth into a leading enterprise in the field of smart home appliances and information technology that is known for advanced technologies of its key products, sound corporate governance, effective operations, stringent supervision, adequate incentives and global competitiveness.

In the coming years, Skyworth aims to promote the extensive implementation of its "1334 Strategy", making further progress and substantial improvement. The Group will strictly follow the general principles of reform, innovation and development, allocating additional resources to the development and utilisation of new technologies, such as ultra-HD video, AI, IoT and 5G connectivity, the Group will also accelerate the deep integration among hardware, software, systems, content and services, increase its effort in integrating key supporting resources in the upstream and downstream industries, so as to build an ecosystem for the smart appliance industry, injecting new momentum and driving faster development. The Group's management is confident that Skyworth is well positioned to seize opportunities arising from the current home appliance industry and consumption upgrade, and that through its work in the next few years, Skyworth will be able to accelerate industrial transformation, technological upgrading and product innovation, thereby promoting sustainable development for the longer term.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Mr. Lai Weide, aged 60, is the Chairman of the Board and Executive Director. Mr. Lai is also the chairman of Skyworth Digital Co. Ltd., a subsidiary of the Company and listed on the Shenzhen Stock Exchange (stock code: 000810.SZ) ("Skyworth Digital") and a director of certain subsidiaries of the Company. He is a senior accountant and holds a master's degree in engineering from University of Electronic Science and Technology of China. Mr. Lai was appointed as the Chairman of the Board and an Executive Director on 8 July 2016.

Mr. Lai has served as deputy director-general and director-general of the Ministry of Machine-Building and Electronics Industry of The People's Republic of China; deputy head and head of the Assets and Finance Department; deputy general manager of China Electronic Corporation; chairman and general manager of Nanjing Electronic Information Industrial Corporation; chairman of Panda Electronic Group Limited and chairman of Caihong Group Corporation, etc. Mr. Lai was chairman and executive director of Nanjing Panda Electronics Company Limited (stock code: 00553, a company listed and traded on the main board of The Stock Exchange of Hong Kong Limited), chairman of Nanjing Huadong Electronics Information & Technology Company Limited# (南京華東電子信息科技股份有限公司) (stock code: 000727.SZ, a company listed on the Shenzhen Stock Exchange). He has engaged in the work of management in central government and state-owned enterprises for a long period and has substantial experience in government authority and business management.

Save and except for the relationship with the Group mentioned above, Mr. Lai does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Mr. Lai has interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Please refer to the details of his interests on pages 36 to 42 of this annual report.

Mr. Liu Tangzhi, aged 56, joined the Group in 1998. Mr. Liu is an Executive Director and a director of certain subsidiaries of the Company. He was appointed as the chief executive officer of the Company on 1 April 2017. Mr. Liu is the president of Skyworth Group Co., Ltd.# (創維集團有限公司) ("Skyworth Group") and director of Skyworth Digital.

Mr. Liu graduated from the Zhongnan University of Economics and Law in Wuhan with a bachelor's degree in economics, and graduated from Macao University of Science and Technology with a master's degree in business administration.

Save and except for the relationship with the Group mentioned above, Mr. Liu does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Mr. Liu has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 36 to 42 of this annual report.

Ms. Lin Wei Ping, aged 61, is an Executive Director, a member of each of the Remuneration Committee and Nomination Committee and a director of certain subsidiaries of the Company. Ms. Lin was appointed as the executive chairperson of the Company on 1 April 2013 and resigned on 8 July 2016.

Ms. Lin joined the Group in 1993. Ms. Lin was the deputy manager of purchasing department and administration manager in Hong Kong and subsequently, the head of human resources department of the Group, primarily responsible for material purchasing from overseas market and administration and human capital management for certain companies within the Group.

Ms. Lin graduated from South China University of Technology in the PRC with a bachelor degree in electronic engineering. Before joining the Group, Ms. Lin had worked in the Ministry of Information Industry in the PRC as a research engineer.

Ms. Lin is the spouse of Mr. Wong Wang Sang, Stephen, the former Non-Executive Director and a controlling shareholder of the Company and mother of Mr. Lin Jin, the Executive Director. Save and except for the relationship mentioned above, Ms. Lin does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Ms. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of her interests on pages 36 to 42 of this annual report..

Mr. Shi Chi, aged 48, is an Executive Director of the Company. He joined the Group in 2000 and is a director and the president of Skyworth Digital, in which Mr. Shi holds 3.42% shareholding and his spouse holds 0.61% shareholding. He is also a director of certain subsidiaries of the Company.

Mr. Shi graduated from Huazhong University of Science & Technology with a Doctorate degree in Communication and Electronic System. Mr. Shi has been participating in numerous national and provincial projects on technological researches, in charge of designing several high-end digital television products and publishing over 20 articles in various professional and science journals. He is the vice president of China Radio and TV Equipment Industry Association, the president of Shenzhen Young Science and Technology Talents Association and the vice president of Shenzhen Software Industry Association.

Save and except for the relationship with the Group mentioned above, Mr. Shi does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Mr. Shi has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 36 to 42 of this annual report.

Mr. Lin Jin, aged 34, is an Executive Director of the Company. Mr. Lin graduated from the University of Toronto with a bachelor degree in applied science. He is currently a director in a number of subsidiaries of the Company, including Shenzhen Coocaa Network Technology Company Limited#（深圳市酷開網絡科技有限公司）and Skyworth Digital. He is also currently a director (non-executive) of Skywell New Energy Automobile Co., Ltd.#（開沃新能源汽車有限公司）and Skysource (China) Investment Co., Ltd.#（創源天地（中國）投資有限公司）and a number of their respective subsidiaries. Prior to joining the Group in 2011, Mr. Lin worked in MediaTek Inc. as a sales manager from November 2009 to October 2011 and Realtek Semiconductor Corp. as a system development engineer from September 2007 to September 2009. He has more than 10 years of work experience in companies primarily engaged in the business of designing and manufacturing electronics and electronic components.

Mr. Lin is the son of Mr. Wong Wang Sang, Stephen, the former Non-Executive Director and a controlling shareholder of the Company, and Ms. Lin Wei Ping, an Executive Director. Save and except for the relationship with the Group mentioned above, Mr. Lin does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Mr. Lin has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 36 to 42 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Weibin, aged 57, is an Independent Non-Executive Director, the chairperson of Remuneration Committee, a member of each of the Audit Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 10 March 2000.

Mr. Li is a practicing solicitor in Hong Kong and is the founder and senior partner of Li & Partners, a firm of solicitors in Hong Kong. He graduated from the China University of Political Science and Law in Beijing, the postgraduate school of the Chinese Academy of Social Sciences in Beijing and the University of Hong Kong with a bachelor degree in law, a master degree in law and a bachelor degree in common law, respectively. Mr. Li is also admitted to practice law in the PRC, England and Wales and New York, USA. Mr. Li is a China-appointed attesting officer, a visiting professor in the China University of Political Science and Law and has worked in the legal field for over 30 years.

Save and except for the relationship with the Group mentioned above, Mr. Li does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Mr. Li has interests in the shares of the Company within the meaning of Part XV of the SFO. Please refer to the details of his interests on pages 36 to 42 of this annual report.

Mr. Cheong Ying Chew, Henry, aged 71, is an Independent Non-Executive Director, the chairperson of Audit Committee, a member of each of the Remuneration Committee and Nomination Committee. He was first appointed as an Independent Non-Executive Director on 1 January 2015.

Mr. Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London. Mr. Cheong has over 40 years of experience in the securities industry.

He is also an independent non-executive director of CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited), CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited), TOM Group Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited and New World Department Store China Limited, all being companies listed in Hong Kong. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed in Thailand, and an executive director and the deputy chairman of Worldsec Limited, a company listed in London.

Save and except for the relationship with the Group mentioned above, Mr. Cheong does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Mr. Cheong does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Li Ming, aged 56, is an Independent Non-Executive Director, the chairperson of Nomination Committee, a member of each of the Audit Committee and Remuneration Committee. He was appointed as an Independent Non-Executive Director on 18 March 2017.

Mr. Li graduated from Jiangxi Finance Institute (now known as Jiangxi University of Finance & Economics) majoring in planning statistics.

Mr. Li is currently the chairman and executive director of China Ocean Industry Group Limited (stock code: 00651, a company listed on the main board of The Stock Exchange of Hong Kong Limited) and a non-executive director of DST Robot Co., Ltd. (stock code: A090710, a company listed on the Korea Stock Exchange). Prior to joining the Company, Mr. Li held senior positions in a number of well-known companies in PRC and was an executive director of Shenzhen Microgate Technology Co. Ltd. (stock code: 300319, a company listed on the Shenzhen Stock Exchange) from May 2012 to October 2013. He has extensive experience in management and business planning.

Save and except for the relationship with the Group mentioned above, Mr. Li does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

As at 31 December 2018, Mr. Li does not have interests in the shares of the Company within the meaning of Part XV of the SFO.

\# *English translation is not official and is provided for reference only.*

SENIOR MANAGEMENT

Mr. Huang Mingyan, aged 56, joined the Group as vice president of Skyworth Group in June 2017. Mr. Huang graduated from Chongqing University with a master degree in architectural economics and management. From August 1984 to July 1988, Mr. Huang worked as an designer at Central Design & Research Institute under the Ministry of Machinery Industry; from August 1993 to September 1999, he served as deputy head of the Group Affairs Department of China National Real Estate Development Group Corporation; he was general manager of the Property Department of China Electronics Corporation from October 1999 to November 2002; Mr. Huang served as general manager and secretary of Party Committee at China Electronic Industrial Development Company from December 2002 to April 2013; and he worked as assistant general manager of Caihong Group Corporation and general manager of Caihong Group Industrial Co., Ltd from May 2013 to May 2017.

Save and except for the relationship with the Company as mentioned above, Mr. Huang does not have any relationship with any director, senior management, substantial shareholder or controlling shareholders of the Company.

Mr. Wang Zhiguo, aged 39, is the director and chief technology officer of Skyworth Group, the chief executive officer of Shenzhen Coocaa Network Technology Company Limited# (深圳市酷開網絡科技有限公司), chairman/president of Shenzhen Chuangwei-RGB Electronics Co., Ltd., head of the Skyworth Research Institute of Intelligent System Technologies, and also a director of certain subsidiaries of the Company.

Mr. Wang graduated in 2006 from Germany Dresden University of Technology with a master degree in computer engineering; he joined the Group in 2009. Over these years, he has successively worked as director and head of research institute, deputy general manager and general manager.

Save and except for the relationship with the Company as mentioned above, Mr. Wang does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholders of the Company.

Mr. Lam Shing Choi, Eric, aged 47, is the company secretary of the Company.

Mr. Lam joined the Group in March 1998 as the finance manager, was responsible for setting up computerised accounting system of the sales head office in Dongguan, coordinating with the auditors and the preparation of monthly financial statements. In January 2001, he was transferred to Skyworth Multimedia International Limited (a wholly-owned subsidiary of the Company) as the financial controller, in charge of the finance department. From 2006 to 2007, he worked as the financial controller of Skyworth Overseas Development Limited (a wholly-owned subsidiary of the Company), oversaw the finance department, internal control, financial statements and banking facilities. Mr. Lam then served as the financial controller of Skyworth TV Holdings Limited, a wholly owned subsidiary of the Company, from 2007 to 2011 and was responsible for banking facility arrangement and financial reporting of the Company. He was the financial controller of the TV business unit of the Group in December 2011 and the LCD business unit of the Group since December 2012, respectively. He is also a director of certain subsidiaries of the Company.

Mr. Lam graduated from Monash University in Australia with a bachelor's degree of business in accounting and a bachelor's degree of computing in information systems. Mr. Lam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Practising Accountants in Australia. Mr. Lam has over 20 years of working experience in corporate finance, banking and accounting.

Save and except for the relationship with the Company as mentioned above, Mr. Lam does not have any relationship with any director, senior management, substantial shareholder or controlling shareholders of the Company.

Mr. Wu Wei, aged 52, joined the Group in May 1997. Mr. Wu is a professor-level engineer who graduated from ShanghaiTech University with a bachelor degree in radio electronics. From May 1997 to January 2005, Mr. Wu served as deputy chief engineer and chief engineer of Shenzhen Chuangwei-RGB Electronics Co., Ltd.; from January 2005 to February 2009, he worked as vice president of Skyworth Multimedia (Overseas) Company Limited and general manager of its Research Centre; Mr. Wu was appointed as chief engineer of the TV business unit since February 2009, and he has been serving as chief engineer of Skyworth Group since 2017.

Mr. Wu personally owns 13 authorised patents for invention and has published 8 theses on national publications. He presided and participated in the implementation of a number of China's key national programmes, including the project of core electronic components, high-end general use chips and basic software products, the 863 Programme, the Key Technologies R&D Programme, as well as electronics funds under the Ministry of Industry and Information Technology. In total, Mr. Wu has contributed 1 State Scientific & Technological Progress Award (First Class), 7 Guangdong Province Science & Technology Awards, and 8 Shenzhen Municipality Scientific & Technological Progress Awards for the Group.

Mr. Wu is a member of the National Standardisation Technical Committee for Audio, Video & Multimedia System and Equipment, the deputy director of Zhongguancun Audio-Visual Industry Technology Innovation Alliance, and a member of China's Expert Committee of Supplier Alliance for Smart Manufacturing Solutions. He is also head of the Guangdong Provincial Research Centre of Engineering Technology for Ultra-HD Display, a member of the Guangdong Provincial "Expert Panel for the Promotion of 4K Application & Sector Development", director of the Guangdong Provincial Standardisation Technical Committee for Green Manufacturing of Electrical & Electronic Products, and secretary general of the Shenzhen Municipality Alliance for Industry Standards of Smart TV.

Save and except for the relationship with the Company as mentioned above, Mr. Wu does not have any relationship with any director, senior management, substantial shareholder or controlling shareholders of the Company.

Mr. Ying Yiming, aged 43, is the financial controller of the Company.

Mr. Ying graduated from Hubei Normal University in the People's Republic of China majoring in Computer Accounting. He is a PRC accountant and a non-executive member of The Chinese Institute of Certified Public Accountants, and has over 22 years of experience in accounting and financial management. Mr. Ying joined the Group in 2000 and has been the director and financial controller of Skyworth Mobile Communication Technology (Shenzhen) Co., Ltd.#（創維移動通信技術（深圳）有限公司）, and head of the Accounting Department (PRC Division) and deputy director of the Finance and Operations Management Department of Skyworth Group. Mr. Ying is currently the head of the Finance and Assets Department of Skyworth Group, and director of certain subsidiaries of the Company including Skyworth Digital, Shenzhen Chuangwei – RGB Electronics Co., Ltd., Skyworth Group Finance Co., Ltd.#（創維集團財務有限公司）and Skyworth Group Construction Development Co., Ltd.#（創維集團建設發展有限公司）.

Save and except for the relationship with the Company as mentioned above, Mr. Ying does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

English translation is not official and is provided for reference only.

DIRECTORS' REPORT

The directors of the Company (the "Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the 9 months ended 31 December 2018 (hereinbelow also referred to as the reporting period).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, property development and property holding. Details of the principal activities of the principal subsidiaries, associates and joint ventures of the Group are set out in notes 59, 21 and 22 of the consolidated financial statements, respectively.

BUSINESS REVIEW

A fair review of the business of the Group for the reporting period, including the discussion on the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred since the end of the reporting period and an indication of the likely future developments, is set out in the "Chairman's Statement" on pages 3 to 6 and "Management Discussion and Analysis" on pages 8 to 20 of this annual report. The above discussions form part of this Directors' Report.

Details about the Group's financial risk management are set out in note 53 to the consolidated financial statements.

An analysis of the Group's performance for the reporting period using financial key performance indicators is set out in the "Financial Highlights" on page 2 and "Management Discussion and Analysis" on pages 8 to 20 of this annual report.

Environmental Policies and Performance

The Group is committed to promoting long term environmental sustainability and creating sustainable value for stakeholders by providing safe, reliable and high-quality products and services that satisfy our customers. We strive to encourage higher awareness of environmental conservation at our workplace. The Group established a Corporate Social Responsibility Policy which defines our long-term approach to specific issues in four key aspects: Workplace, Environment, Operating Practices and Community, which is instrumental in enabling our business to operate in a sustainable manner.

The Group strives to achieve the foregoing environmental objectives by minimising the environmental impact concerning our daily business operations and promoting environmental protection in the supply chain and workplace. We aspire to reduce pollutions, emissions and wastes, increase recycling and minimise energy consumption by continually improving our environmental management policies and practices and educating our employees to adopt environmentally responsible behaviour.

The Group always cherishes natural resources and believes that business expansion and minimisation of the consumption of natural resources can co-exist. In relation to the efficient use of resources, the Group has introduced various energy efficiency strategies and measures including, implementation of energy-saving machines; installation of eco-friendly lighting system; and reduction of water and paper consumption.

To ensure that our actions and initiatives are effective and relevant, the Board regularly reviews our environmental, social and governance strategy and monitor our progress in achieving such objectives.

Compliance with Relevant Laws and Regulations

During the reporting period, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

On the corporate level, the Company and all of its subsidiaries have complied with the relevant laws of their respective place of incorporation and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") where they are applicable. The Group has adopted its own code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to disability, gender, family status and race discrimination, as well as occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Relationship with Key Stakeholders

(a) Employees

The Group believes that employees are the primary force in driving its business growth and considers them to be the most valuable assets of a company and strives to help its employees to achieve their full potential both personally and professionally. We promote team spirit and offer various training programmes to help improve the competency, work skills, expertise and performance of employees. The training programmes also help employees to raise awareness on environmental issues and workplace discrimination to improve their understanding of the strategies and policies of the Group. The Group also organises staff-friendly activities for employees, such as sports activities and outings, to promote staff relationships and physical fitness.

(b) Customers

The Group strives to achieve corporate sustainability in providing quality products and services to our customers. We have established strict quality control to ensure continuous improvement of product quality by conducting regular market surveys to gain market insights and feedback.

(c) Suppliers

The Group has established a well-governed supplier selection and evaluation system. We adhere to open, fair and transparent criteria in selecting suppliers and carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers to ensure they can meet the requirements, values and expectations of the Group.

(d) Shareholders and Investors

The Group has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and investors. We believe that the accurate and timely information disclosure can facilitate constructive feedback and ideas that are beneficial for investor relations and future corporate development.

RESULTS AND APPROPRIATIONS

The results of the Group for the reporting period are set out in the consolidated statement of profit or loss and other comprehensive income on pages 75 to 76 of this annual report.

The Board has proposed a final dividend for the reporting period of 6.0 HK cents (in cash) per share of the Company (for the year ended 31 March 2018: 9.0 HK cents), totalling approximately RMB157 million (for the year ended 31 March 2018: RMB241 million) as at the date of this report to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 11 June 2019, and the retention of the remaining profit for the reporting period in reserves.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may from time to time in general meeting declare dividends in any currency to be paid to the shareholders of the Company, but no dividend shall be declared in excess of the amount recommended by the Board. The Board may from time to time pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits of the Company.

The proposed dividend payout as determined by the Board at the time of declaration of dividend would depend on, among other matters, the distributable profits, cash flow, liquidity and financial position, current and future operations, capital requirements and surplus of the Company, as well as dividends received from Company's subsidiaries and associates. The payment of dividend is also subject to any restrictions under Bermuda laws and the Company's bye-laws.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past 5 financial years is set out on page 224 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the aggregate revenue attributable to the Group's 5 largest customers was less than 18.7% of the Group's total revenue. The aggregate purchase attributable to the Group's 5 largest suppliers accounted for 22.9% of the Group's total purchase and the purchase attributable to the Group's largest supplier was 7.5% of the total purchases.

None of the Directors, their associates or any shareholders of the Company (who to the knowledge of the Directors owns 5% or more of the issued shares of the Company) has any interest in any of the Group's abovementioned 5 largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group incurred approximately RMB325 million in production plants construction at various locations within the People's Republic of China (the "PRC").

The Group acquired additional plant and machinery at a cost of approximately RMB535 million for the expansion of existing production facilities and setting up of new production facilities. Details of these and other movements in the property, plant and equipment of the Group during the reporting period are set out in note 16 to the consolidated financial statements.

CORPORATE BONDS

On 15 September 2017, the Company issued secured corporate bonds with principal value of RMB2,000 million. The corporate bonds bear an interest at 5.36% per annum with maturity of 5 years, under which the Company has the right to adjust the coupon rate and the bond holders have a sell-back right to the Group at the end of the third year. The purposes for issuing corporate bonds were to adjust the debt structure and supplement the general working capital of the Group. The corporate bonds were listed on the Shenzhen Stock Exchange under the abbreviated bond name "17 Skyworth P1" with the code "112584" on 23 October 2017. Details of the corporate bonds are set out in note 43 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed in the section headed "Directors' Interests in Shares, Share Options and Awarded Shares" below and note 46 to the consolidated financial statements, no equity-linked agreement was entered into by the Company during the reporting period or subsisted at the end of the reporting period.

SHARE CAPITAL

Details of movements in the share capital of the Company during the reporting period are set out in note 44 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium and reserves of the Group during the reporting period are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company as at 31 December 2018 amounted to approximately RMB1,599 million (31 March 2018: RMB1,555 million).

DONATIONS

During the reporting period, the Group made charitable donations amounting to approximately RMB5 million.

DIRECTORS

The Directors who were in office during the reporting period are named as below:

Executive Directors:

Mr. Lai Weide	*(Chairman of the Board)*
Mr. Liu Tangzhi	*(Chief Executive Officer)*
Ms. Lin Wei Ping	
Mr. Shi Chi	
Mr. Lin Jin	*(Appointed with effect from 1 April 2018)*

Non-Executive Director:

Mr. Yang Dongwen *(Resigned with effect from 1 April 2018)*

Independent Non-Executive Directors:

Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Li Ming

In accordance with bye-law 87 of the Company's bye-laws, Mr. Shi Chi, Mr. Li Weibin and Mr. Li Ming will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 29 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. All independent non-executive Directors have entered into letters of appointment with the Company for a term of three years which may be terminated by either party by giving to the other not less than one month's notice in writing.

EMOLUMENT POLICY

The emoluments of the Directors are reviewed by the Remuneration Committee from time to time, with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on pages 48 to 66 of this annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 57 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND AWARDED SHARES

As at 31 December 2018, the interests and short positions that the Directors and the chief executive of the Company had or were deemed to have in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in shares of the Company and associated corporations

The Company

Name of director	Capacity		Number of issued shares held	Approximate percentage of the total number of issued shares
Lai Weide	Beneficial owner		1,500,000	0.05%
Lin Wei Ping	Beneficial owner		9,160,382	0.30%
	Interest of spouse	*(Notes a and b)*	1,218,656,799	39.81%
		(Notes a and c)	1,227,817,181	40.11%
Liu Tangzhi	Beneficial owner		5,884,675	0.19%
Shi Chi	Beneficial owner		5,184,825	0.17%
	Interest of spouse		4,146,466	0.13%
			9,331,291	0.30%
Lin Jin *(Appointed with effect from 1 April 2018)*	Beneficial owner		3,898,719	0.13%
Li Weibin	Beneficial owner		1,000,000	0.03%

Notes:

(a) 37,300,000 shares of the Company are held by Mr. Wong Wang Sang, Stephen and 1,181,356,799 shares of the Company are held by Target Success Group (PTC) Limited ("Target Success") in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is interested and deemed to be interested in 1,218,656,799 shares of the Company.

(b) Ms. Lin Wei Ping is interested in 1,227,817,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,218,656,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,227,817,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,181,356,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.

Associated corporations – Skyworth Digital Co., Ltd.

Name of director	Capacity	Number of issued shares held	Approximate percentage of the total number of issued shares
Lai Weide	Beneficial owner *(Note)*	1,000,000	0.09%
Liu Tangzhi	Beneficial owner *(Note)*	800,000	0.07%
Shi Chi	Beneficial owner	36,770,524	3.42%
	Interest of spouse	6,507,500	0.61%
		43,278,024	4.03%

Note: These shares are restricted shares granted under the restricted share incentive scheme of Skyworth Digital Co., Ltd., which is a 57.21% owned subsidiary of the Company, (the "Restricted Share Incentive Scheme"), which are subject to lock-up restrictions under the terms and conditions of the Restricted Share Incentive Scheme. The restricted shares will be released from the lock-up restriction in 3 batches in accordance with the release schedule under the Restricted Share Incentive Scheme, conditional upon the fulfillment of performance targets specified thereunder. Details of the Restricted Share Incentive Scheme were published on the information website of the Shenzhen Stock Exchange (http://www.cninfo.com.cn/). During the reporting period, none of the restricted shares of Mr. Lai Weide and Mr. Liu Tangzhi were lapsed/cancelled.

(b) Share options of the Company

(i) Particulars of the share option schemes of the Company are set out in note 46 to the consolidated financial statements.

(ii) The particulars of share options granted to the Directors and the movement during the reporting period were as follows:

Under 2008 Share Option Scheme

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding as at 1 April 2018	Granted during the reporting period	Exercised during the reporting period	Cancelled/ Lapsed during the reporting period	Outstanding as at 31 December 2018
Directors:								
Shi Chi								
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	600,000	–	–	(600,000)	–
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	300,000	–	–	(300,000)	–
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	–	–	–	–
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	300,000	–	–	(300,000)	–
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	600,000	–	–	(600,000)	–
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	1,000,000	–	–	(1,000,000)	–
		16 September 2011 to 31 August 2013	1 September 2013 to 30 September 2018	–	–	–	–	–
		16 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	–	–	–	–	–
		16 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	–	–	–	–	–
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	(1,000,000)	–

Under 2008 Share Option Scheme (Continued)

				Number of share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding as at 1 April 2018	Granted during the reporting period	Exercised during the reporting period	Cancelled/ Lapsed during the reporting period	Outstanding as at 31 December 2018
Directors: (Continued)								
Liu Tangzhi								
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	600,000	–	–	(600,000)	–
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	600,000	–	–	(600,000)	–
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	600,000	–	–	(600,000)	–
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	600,000	–	–	(600,000)	–
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	600,000	–	–	(600,000)	–
9 July 2014	3.870	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	750,000	–	–	(750,000)	–
		9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	750,000	–	–	(750,000)	–
		9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	750,000	–	–	(750,000)	–
		9 July 2014 to 31 August 2018	1 September 2018 to 30 September 2018	750,000	–	–	(750,000)	–
Total				**9,800,000**	**–**	**–**	**(9,800,000)**	**–**

Under 2014 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of share options: Outstanding as at 1 April 2018	Granted during the reporting period	Exercised during the reporting period	Cancelled/ Lapsed during the reporting period	Outstanding as at 31 December 2018
Directors:								
Lai Weide								
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	–	–	–	2,500,000
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	–	–	–	2,500,000
Liu Tangzhi								
15 December 2015	4.830	15 December 2015 to 14 December 2016	15 December 2016 to 30 September 2018	3,300,000	–	–	(3,300,000)	–
		15 December 2015 to 14 December 2017	15 December 2017 to 30 September 2018	3,300,000	–	–	(3,300,000)	–
		15 December 2015 to 30 March 2018	31 March 2018 to 30 September 2018	3,400,000	–	–	(3,400,000)	–
Total				**20,000,000**	**–**	**–**	**(10,000,000)**	**10,000,000**

(c) Awarded shares of the Company

(i) Share Award Scheme

The share award scheme was approved by the Board on 24 June 2014 (the "Share Award Scheme"). The maximum number of shares of the Company that can be awarded or held under the Share Award Scheme is limited to 2% of the issued share capital of the Company from time to time. The maximum number of shares of the Company (including vested and non-vested) which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. During the reporting period, the Company did not purchase any shares of the Company from market through an independent trustee. As at 31 December 2018, 27,664,601 shares of the Company were held by the independent trustee for the purpose of the Share Award Scheme.

Particulars of the Share Award Scheme are set out in note 47 to the consolidated financial statements.

First batch: Awarded shares granted on 25 July 2014

On 25 July 2014, a total of 27,836,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme. 8,694,000, 8,442,000 and 3,753,000 awarded shares were vested on 31 August 2015, 31 August 2016 and 31 August 2017 respectively.

Second batch: Awarded shares granted on 20 July 2015

On 20 July 2015, a total of 10,312,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme, 2,978,000, 2,874,000 and 3,490,000 awarded shares were vested on 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

Third batch: Awarded shares granted on 12 June 2018

On 12 June 2018, a total of 10,060,000 shares of the Company were granted by the Board pursuant to the Share Award Scheme, 2,400,000 awarded shares were vested on 31 July 2018 and the remaining awarded shares will be vested on 30 April 2019 and 30 April 2020 respectively.

During the reporting period, cash dividend of HK$2,494,314.09 had been received in respect of the shares of the Company held upon the trust for the Share Award Scheme and shall form part of the trust fund of such trust. The trustee may, after having taken into consideration the advice of the Company, apply the cash deposited by the Company to purchase shares of the Company in the market, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of the Share Award Scheme, or return such cash or shares to the Company.

(ii) As at 31 December 2018, certain Directors had personal interests in the awarded shares granted under the Company's Share Award Scheme as follows:

Name of Director	Capacity	Number of awarded shares held/underlying shares of the Company
Lai Weide	Beneficial owner	2,000,000
Liu Tangzhi	Beneficial owner	2,000,000
Total		**4,000,000**

(iii) The particulars of awarded shares granted to the Directors and the movement during the reporting period were as follows:

		Number of award shares				
Directors/ Date of grant	Vesting date	Outstanding as at 1 April 2018	Granted during the reporting period	Vested during the reporting period	Cancelled/ Lapsed during the reporting period	Outstanding as at 31 December 2018
Lai Weide						
12 June 2018	31 July 2018	–	1,000,000	(1,000,000)	–	–
	30 April 2019	–	1,000,000	–	–	1,000,000
	30 April 2020	–	1,000,000	–	–	1,000,000
		–	3,000,000	(1,000,000)	–	2,000,000
Liu Tangzhi						
12 June 2018	31 July 2018	–	–	–	–	–
	30 April 2019	–	1,000,000	–	–	1,000,000
	30 April 2020	–	1,000,000	–	–	1,000,000
		–	2,000,000	–	–	2,000,000
Total		**–**	**5,000,000**	**(1,000,000)**	**–**	**4,000,000**

Save as disclosed above and the nominee shares in certain subsidiaries held in trust for the Group, none of the Directors or chief executives, had or was deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register maintained by the Company under Section 352 of the SFO; or (iii) to be notified to the Company and Stock Exchange pursuant to the Model Code as at 31 December 2018.

DIRECTORS' RIGHTS TO SUBSCRIBE SHARES OR DEBENTURES

Other than the interests in share options and awarded shares of the Company as disclosed above, and in the share option schemes and the Share Award Scheme disclosed in note 46 and note 47 to the consolidated financial statements respectively, at no time during the reporting period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives, or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debenture of the Company or any other body corporate, and none of them had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the reporting period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the reporting period or at any time during the reporting period.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the reporting period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the reporting period, none of the executive Directors had any interest in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, so far as is known to the Directors or the chief executive of the Company, the register of interests in shares and short positions maintained by the Company pursuant to Section 336 of the SFO showed that the following persons had, or were deemed to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of issued shares held	Approximate percentage of the total number of issued shares
Target Success Group (PTC) Limited	Trustee *(Note a)*	1,181,356,799	38.59%
Wong Wang Sang, Stephen	Beneficial owner	37,300,000	1.22%
	Interest of spouse *(Note b)*	9,160,382	0.30%
	Interest of controlled corporation *(Note a)*	1,181,356,799	38.59%
		1,227,817,181	40.11%
Lin Wei Ping	Beneficial owner	9,160,382	0.30%
	Held by spouse *(Note c)*	1,218,656,799	39.81%
		1,227,817,181	40.11%
Pandanus Associates Inc.	Interest of controlled corporation *(Note d)*	175,178,896	5.72%
Pandanus Partners L.P.	Interest of controlled corporation *(Note d)*	175,178,896	5.72%
FIL Limited	Interest of controlled corporation *(Note d)*	175,178,896	5.72%

Notes:

(a) 1,181,356,799 shares of the Company are held by Target Success in its capacity as trustee of the Skysource Unit Trust in which all of the units and issued shares of Target Success are held by Mr. Wong Wang Sang, Stephen. As such, Mr. Wong Wang Sang, Stephen is deemed to be interested in 1,181,356,799 shares of the Company.

(b) Ms. Lin Wei Ping is interested in 1,227,817,181 shares of the Company, which comprise 9,160,382 shares held by herself and the deemed interests in 1,218,656,799 shares held by her spouse Mr. Wong Wang Sang, Stephen.

(c) Mr. Wong Wang Sang, Stephen is interested in 1,227,817,181 shares of the Company, which comprise 37,300,000 shares held by himself, the deemed interests in 1,181,356,799 shares held by Target Success and the deemed interests in 9,160,382 shares held by his spouse Ms. Lin Wei Ping.

(d) Based on the notices of disclosure of interest of Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited filed with the Stock Exchange on 17 December 2018, FIL Limited is interested in 175,178,896 shares of the Company through corporations controlled by it. Pandanus Partners L.P. controls more than one-third of the voting power at general meetings of FIL Limited, and Pandanus Partners L.P. is in turn, wholly controlled by Pandanus Associates Inc.. Therefore, Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited are deemed to be interested in 175,178,896 shares of the Company.

Save as disclosed above, as at 31 December 2018, the Directors or the chief executive of the Company were not aware of any other interests or short positions that any person had, or were deemed to have in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into the following continuing connected transactions during the reporting period:

(1) Pursuant to the Factoring Agreement dated 19 October 2017 (the "Factoring Agreement") entered into between Shenzhen Chuangwei Financial Leasing Company Limited（深圳創維融資租賃有限公司）("Shenzhen Chuangwei Financial Leasing"), an indirect wholly-owned subsidiary of the Company, and Nanjing Golden Dragon Bus Co., Ltd（南京金龍客車製造有限公司）("Nanjing Golden Dragon Bus"), Shenzhen Chuangwei Financial Leasing has agreed to provide factoring services to Nanjing Golden Dragon Bus with a facility in the factoring principal amount of RMB499,500,000 for a term of one year commencing from 19 October 2017 with factoring interest of 8% per annum. Nanjing Golden Dragon Bus has also agreed to transfer the accounts receivable as referred in the Factoring Agreement to Shenzhen Chuangwei Financial Leasing.

    As at the end of the reporting period, the actual factoring principal amount under the Factoring Agreement was RMB nil (for the year ended 31 March 2018: RMB499,500,000). The maximum factoring principal amount under the Factoring Agreement at any point of time during the reporting period was RMB499,500,000.

(2) Pursuant to the Sale and Leaseback Agreement dated 19 October 2017 (the "Leaseback Agreement") entered into between Shenzhen Chuangwei Financial Leasing and Nanjing Golden Dragon Bus, Nanjing Golden Dragon Bus has agreed to sell a motor vehicle to Shenzhen Chuangwei Financial Leasing at an initial sale price of RMB500,000 and the motor vehicle will be leased back to Nanjing Golden Dragon Bus for a term of one year commencing from 19 October 2017. Upon expiry of the lease term, Nanjing Golden Dragon Bus is required to repurchase the vehicle from Shenzhen Chuangwei Financial Leasing at a purchase price of RMB1.00.

    As at the end of the reporting period, the actual leasing principal amount under the Leaseback Agreement was RMB nil (for the year ended 31 March 2018: RMB500,000). The maximum leasing principal amount under the Leaseback Agreement at any point of time during the reporting period was RMB500,000.

Details of the Factoring Agreement and Leaseback Agreement are disclosed in the Company's announcement dated 19 October 2017. The aggregate annual cap (covering maximum factoring and leasing principal) in respect of provision of the factoring services and sale and leaseback services to Nanjing Golden Dragon Bus was RMB500 million and the aggregate factoring and leasing principal provided to Nanjing Golden Dragon Bus did not exceed the annual cap.

Mr. Wong Wang Sang, Stephen, substantial shareholder of the Company, indirectly held approximately 69.99% equity interest of Nanjing Golden Dragon Bus and therefore Nanjing Golden Dragon Bus constituted an associate of a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Factoring Agreement and Leaseback Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the reporting period, the Company has complied with the relevant disclosure requirements in respect of its continuing connected transactions in accordance with Chapter 14A of the Listing Rules. The independent non-executive Directors have reviewed each of the continuing connected transactions and confirmed that these transactions were entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms; and (3) in accordance with the terms of the respective agreements which are considered to be fair and reasonable and in the interests of the shareholders of the Company as a whole.

Messrs Deloitte Touche Tohmatsu, the independent auditors of the Company, was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with Rule 14A.56 of the Listing Rules, the auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company and a copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of related party transactions made during the reporting period is disclosed in note 58 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the public float requirement of the Listing Rules throughout the reporting period.

PERMITTED INDEMNITY PROVISIONS

The Company's bye-laws provides that the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Directors, secretary and other officers of the Company.

In addition, an appropriate insurance cover had been arranged by the Company in respect of legal action arising from the business of the Group against the Directors.

AUDITOR

The consolidated financial statements of the Group for the reporting period have been audited by Messrs Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

By order of the Board

LAI Weide
Chairman of the Board
28 March 2019

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, and is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance, and to comply to the extent practicable, with the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code").

COMPLIANCE WITH THE CG CODE

During the 9-month period ended 31 December 2018 (hereinbelow also referred as the reporting period) and up to the date of this report, the Company has complied with the code provisions as set out in the CG Code, save and except for the code provisions A.1.1 and A.6.7 of the CG Code.

Code provision A.6.7 of the CG Code stipulates that the independent non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. Two of our independent non-executive Directors, namely Mr. Li Weibin and Mr. Li Ming, were unable to attend the annual general meeting of the Company held on 2 August 2018 as they had other engagement.

Furthermore, code provision A.1.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company had changed the financial year end date from 31 March to 31 December, for efficiency consideration the Board had held 3 regular meetings instead of 4 as required by the code provision A.1.1 during the reporting period.

KEY CORPORATE GOVERNANCE PRINCIPLES

Board of Directors

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate strategic objectives and policies, and monitoring and evaluating of the operating activities and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain responsibilities to the specific Board committees.

Board Composition

As at the date of this report, the Board consists of 8 members. Among them, 5 are executive Directors and 3 are independent non-executive Directors. The list of Directors are set out on page 227 of this annual report. Their biographical details including their respective interests in the Company and their respective relationships with other Directors and senior management of the Group, are set out on pages 21 to 26 of this annual report.

Executive Directors

All of the executive Directors possess the qualification and experiences in their respective areas of responsibility. Under the leadership of the Chairman of the Board, the Board is able to maintain the success of the Group's business.

Independent Non-Executive Directors

Currently, the 3 independent non-executive Directors are experienced professionals with different expertise in accounting, legal and strategic management. Their mix of skills and experience, and their independent view would definitely provide constructive comments and suggestions to the Board, contributing to the proper functioning of the Board and safeguarding the interests of the shareholders of the Company in general and the Company as a whole. The Board confirms that the Company has received from each of the independent non-executive Directors a confirmation of independence for the reporting period pursuant to Rule 3.13 of the Listing Rules and considers such independent non-executive Directors to be independent.

The Chairman of the Board and Chief Executive Officer of the Company

The chairman of the Board is Mr. Lai Weide and the chief executive officer of the Company is Mr. Liu Tangzhi. The roles of the Chairman of the Board and the chief executive officer of the Company are segregated to ensure their respective independence, accountability and responsibility. The major duties of the Chairman of the Board are to provide leadership to the Board; to ensure the Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable; to ensure the Company established good corporate practice and procedures; and to provide appropriate briefing on the issues arising from Board meetings.

The chief executive officer of the Company is responsible for implementing decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the executive Directors and senior management.

Appointment, Re-election and Removal of Directors

A person may be appointed as a member of the Board at any time either by the shareholders of the Company in a general meeting or by the Board upon recommendation of the Nomination Committee. Each of the Directors has entered into a service contract with the Company for a term of not more than 3 years. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment.

According to the bye-laws of the Company as amended from time to time and the CG Code, all Directors are subject to retirement by rotation once every 3 years and one-third of the Directors for the time being (or, if their number is not a multiple of 3, the number nearest to, but not less than one-third) shall retire from office by rotation and shall be eligible for re-election at each annual general meeting.

Board Diversity Policy

The Company recognises the importance of board diversity to corporate governance and the board effectiveness. The Board adopted a board diversity policy ("Policy") which sets out the basic principles to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standard of corporate governance. Under the Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience.

In considering the new appointment of Directors, the Nomination Committee had considered the Policy and with reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

During the reporting period, the Nomination Committee conducted an annual review of the Board's composition taking into account the Policy and formed the view that the Board has maintained an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives necessary to meet the business requirements of the Group. The Nomination Committee will review the Policy from time to time to ensure the effectiveness of the Policy and discuss any revisions that may be required, and make recommendations accordingly to the Board for consideration and approval.

Nomination Policy

The Board adopted a nomination policy (the "Nomination Policy") on 27 November 2018, which sets out the selection criteria and nomination procedures for the appointment of Directors. A summary of the Nomination Policy is disclosed below:

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Character and integrity
- Accomplishment and experience in the areas of Company's business and public board experience
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

The Nomination Committee and the Board will take the following procedures in appointing a Director:

1. The Nomination Committee uses multiple sources to identify the individual(s) who are suitably qualified to become Board members.
2. The Nomination Committee reviews the qualification, skills and experience of the individual(s) and, if thought fit, makes recommendation to the Board.
3. The Board considers the individual(s) recommended by the Nomination Committee by assessing and evaluating his/her qualification, skills and experience and, if thought fit, to approve the appointment of individual(s) as Director.
4. According to the Company's bye-laws, any director appointed to fill the causal vacancy or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Nomination Committee will review the Nomination Policy from time to time to ensure the effectiveness of the Nomination Policy and discuss any revisions that may be required, and recommended such revisions to the Board for consideration and approval.

Access for Supporting

The Directors may have access to the advice and services of the Company Secretary with a view to ensuring that the Board's procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide appropriate independent professional advice to the Directors to assist them on discharging their duties and responsibilities.

Appropriate insurance cover has been arranged by the Company in respect of legal action arising from the business of the Group against the Directors.

Continuous Professional Development

On appointment to the Board, each newly appointed Director will attend an introduction covering the general, statutory and regulatory obligations of being a director to ensure sufficient awareness of responsibilities under the Listing Rules and other relevant regulatory requirements. Thereafter, the Company is required to provide the Directors with regular updates relating to the Group's business.

All Directors have complied with the code provision in the CG Code in relation to continuous professional development. This has involved various forms of activities including attending presentation given by external professional advisors and reading materials relevant to the regulatory updates, Company's business, directors' duties and responsibilities. The Company continues to provide the Directors with updates relating to the relevant Listing Rules and regulations, ensuring the Directors have thorough understanding of good corporate governance.

The Directors are required to provide the Company with details of professional training undertaken by them during the reporting period. Based on the details so provided, the professional training undertaken by the Directors during the reporting period is summarised as follows:

	Training Areas		
Name of Director	**Legal and Regulatory**	**Corporate Governance**	**Group's Business/ Directors' Duties**
Executive Directors:			
Mr. Lai Weide	✓	✓	✓
Mr. Liu Tangzhi	✓	✓	✓
Ms. Lin Wei Ping	✓	✓	✓
Mr. Shi Chi	✓	✓	✓
Mr. Lin Jin	✓	✓	✓
Independent Non-Executive Directors:			
Mr. Li Weibin	✓	✓	✓
Mr. Cheong Ying Chew, Henry	✓	✓	✓
Mr. Li Ming	✓	✓	✓

General meetings

The annual general meeting and other general meetings of the Company are the primary communication with its shareholders. All shareholders of the Company are welcomed to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf. Other than shareholders' participation, independent non-executive Directors should attend general meetings and develop a better understanding of the views of shareholders. During the reporting period, other than annual general meeting, no special general meeting was held by the Company.

The attendance record of the general meetings during the reporting period:

Name of Director	Number of meetings attended/held	Attendance rate
Executive Directors:		
Mr. Lai Weide	1/1	100%
Mr. Liu Tangzhi	1/1	100%
Ms. Lin Wei Ping	1/1	100%
Mr. Shi Chi	0/1	0%
Mr. Lin Jin *(Appointed with effect from 1 April 2018)*	1/1	100%
Non-Executive Director:		
Mr. Yang Dongwen *(Resigned with effect from 1 April 2018)*	0/0	0%
Independent Non-Executive Directors:		
Mr. Li Weibin	0/1	0%
Mr. Cheong Ying Chew, Henry	1/1	100%
Mr. Li Ming	0/1	0%

Board Meetings and Corporate Governance Function

The Board held a total of 3 meetings during the reporting period. Of these, 2 meetings were held mainly for approving the 2017/18 final results and the 2018/19 interim results of the Group; the other meeting was held to discuss and consider important issues of the Group and review policies related to corporate governance.

Sufficient notices to Board meetings are given to all Directors prior to the meetings for the purpose of providing all Directors with sufficient time to schedule their business for the meetings, and to propose matters to be included in the agenda for the meetings. Agenda and meeting documents are despatched to all Directors at least 3 days before each of the meetings to ensure that the Directors have sufficient time to review documents and be adequately prepared for the meeting. When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman of the Board prior to the meeting.

Management of the Company has, from time to time, supplied to the Board relevant information, as well as reports relating to operational and financial performance of the Group, enabling the Directors to make informed decisions. Members of the management who are responsible for preparation of the documents for discussion at the Board meetings are usually invited to present the relevant documents and to take any questions or address queries that the Directors may have on the documents. This enables the Board to perform a comprehensive and informed evaluation as part of the Board's decision making processes.

The proceedings of the Board at its meetings are conducted by the Chairman of the Board who is responsible to ensure that sufficient time is allocated for discussion and consideration of each agenda item and that equal opportunities are given to the Directors to speak and express their views and share their concerns. Minutes of the Board meetings are recorded in sufficient detail about the matters considered by the Board and the decisions reached, including any concerns raised by the Directors. The minutes are kept by the Company Secretary or any other personnel appointed by the Board at the meetings. Subsequently, the minutes are circulated to the Directors and are available for inspection by the Directors.

During the reporting period, the Board was responsible for performing the corporate governance functions such as to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the CG Code and make relevant disclosures in the Corporate Governance Report.

The attendance record of the Board meetings during the reporting period:

Name of Director	Number of meetings attended/held	Attendance rate
Executive Directors:		
Mr. Lai Weide	3/3	100%
Mr. Liu Tangzhi	3/3	100%
Ms. Lin Wei Ping	3/3	100%
Mr. Shi Chi	3/3	100%
Mr. Lin Jin *(Appointed with effect from 1 April 2018)*	3/3	100%
Non-Executive Director:		
Mr. Yang Dongwen *(Resigned with effect from 1 April 2018)*	0/0	0%
Independent Non-Executive Directors:		
Mr. Li Weibin	3/3	100%
Mr. Cheong Ying Chew, Henry	3/3	100%
Mr. Li Ming	3/3	100%

Securities Transactions of Directors

The Company has adopted the Code of Conduct on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Company received confirmation from each of the Directors that he/she had complied with the Code of Conduct throughout the reporting period.

Board Committees

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by 4 board committees, including Executive Committee, Nomination Committee, Remuneration Committee and Audit Committee. Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee are available on the Company's website through the link http://investor.skyworth.com/en/index.php and the website of Hong Kong Exchanges and Clearing Limited. All committees are provided with sufficient resources to discharge their duties.

(1) Executive Committee

The Executive Committee was established by the Board on 5 February 2005 with written terms of reference adopted on the same date. The Executive Committee currently comprises 10 members, including several executive Directors and senior management of the Company.

The Executive Committee has been delegated with powers from the Board to deal with matters of the Group. The authority and major duties of the Executive Committee are summarised as follows:

- to establish strategic planning and financial budgets for Board approval;
- to monitor daily business operations, including sales, productions, brand and product promotion and human resources capital, within the Group;
- to review and approve management reports;
- to evaluate investments opportunities for Board approval; and
- to monitor fund flows and evaluate cash management policies within the Group.

The Executive Committee held monthly meetings during the reporting period to review, discuss and evaluate the monthly business performance and other business and operational matters of each major subsidiary within the Group.

(2) Nomination Committee

The Nomination Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was further updated and approved on 30 March 2012 and 25 August 2017. The Nomination Committee currently comprises 4 members. The chairperson of the Nomination Committee is Mr. Li Ming and the other members are Mr. Li Weibin, Mr. Cheong Ying Chew, Henry and Ms. Lin Wei Ping. Except for Ms. Lin Wei Ping is an executive Director, the remaining 3 members are independent non-executive Directors.

The major duties of the Nomination Committee set out in its terms of reference are summarised as follows:

- to review the structure, size and composition of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to be responsible for identifying and nominating suitably qualified candidates as additional Directors or to fill Board vacancies as they arise for approval of the Board;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer;
- in case of appointment and re-appointment of independent non-executive Directors, to assess the independence of the appointees having regard to relevant guidelines or requirements of the Listing Rules in place from time to time; and
- to assess the independence of independent non-executive Directors on an annual basis having regard to relevant guidelines or requirements of the Listing Rules in place from time to time.

The Nomination Committee held 2 meetings during the reporting period for the purposes, including but not limited to the followings:

- reviewed the structure, size and composition of the Board;
- reviewed and assessed the independence of the independent non-executive Directors;
- reviewed and made recommendation to the Board on the proposal for the change of directors and supervisors of Skyworth Group;
- reviewed and made recommendation to the Board on the adoption of the Nomination Policy; and
- reviewed and made recommendation to the Board on the appointment of a director of Skyworth Group.

The attendance record of the Nomination Committee meetings held during the reporting period:

Name of Director	Number of meetings attended/held	Attendance rate
Independent Non-Executive Directors:		
Mr. Li Ming *(Chairperson)*	2/2	100%
Mr. Li Weibin	2/2	100%
Mr. Cheong Ying Chew, Henry	2/2	100%
Executive Director:		
Ms. Lin Wei Ping	2/2	100%

(3) Remuneration Committee

The Remuneration Committee was set up under the auspices of the Board on 5 February 2005 with written terms of reference adopted on 19 August 2005, which was updated and approved on 30 March 2012 and 25 August 2017. The Remuneration Committee currently comprises 4 members. The chairperson of the Remuneration Committee is Mr. Li Weibin and the other members are Mr. Cheong Ying Chew, Henry, Mr. Li Ming and Ms. Lin Wei Ping. Except for Ms. Lin Wei Ping who is an executive Director, the remaining 3 members of the Remuneration Committee are independent non-executive Directors.

The major duties of the Remuneration Committee set out in its terms of reference are summarised as follows:

- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedures for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and to make recommendations to the Board on the remuneration of non-executive Directors;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- to produce and approve disclosure statements of the Company's remuneration policy and other disclosures in relation to the Remuneration Committee and its work as required by applicable laws and rules where necessary.

The Remuneration Committee held 2 meetings during the reporting period for the purposes of, including but not limited to, the following:

- reviewed and made recommendation to the Board on bonus payable to the Directors and senior management of the Company;
- reviewed and made recommendation to the Board on the emoluments proposal for the Directors and senior management of the Company;
- reviewed and made recommendation to the Board on the contracts and supplemental contracts of Directors and senior management;

- reviewed and made recommendation to the Board on the Group's job duty and pay level correspondence table;
- reviewed and made recommendation to the Board on the proposal for the grant of share award;
- reviewed and made recommendation to the Board on the proposal for special bonus to the executive teams of Skyworth Group;
- reviewed and made recommendation to the Board on the renewal of service contract of an executive Director; and
- reviewed and made recommendation to the Board on the incentive scheme for special contributions on major projects.

The attendance record of the Remuneration Committee meetings during the reporting period:

Name of Director	Number of meetings attended/held	Attendance rate
Independent Non-Executive Directors:		
Mr. Li Weibin *(Chairperson)*	2/2	100%
Mr. Cheong Ying Chew, Henry	2/2	100%
Mr. Li Ming	2/2	100%
Executive Director:		
Ms. Lin Wei Ping	2/2	100%

Remuneration policy of the Group

The remuneration policy of the Group is formulated to ensure remuneration offered to the Directors or employees is appropriate for the corresponding duties performed, sufficiently compensated for the effort and time dedicated to the affairs of the Group, and competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme. Details of the share option schemes of the Company and Share Award Scheme are set out in notes 46 and 47 to the consolidated financial statements.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, performance of the Directors and prevailing market conditions. They include incentive bonus primarily based on the results of the Group, share options granted under the share option schemes of the Company and awarded shares granted under the Share Award Scheme. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, nor any of his/her associates and executive, is involved in deciding his/her own emoluments.

Employees' remuneration packages are determined with reference to the responsibilities, qualifications and experience of individuals. The packages are reviewed annually and as required from time to time. The Group also continuously spends resources in training, retention and recruitment programs, and encouraging staff for self-development and improvements. The Group uses the "key performance indicators", a methodical system, to monitor and evaluate the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies by establishing a measurable benchmark.

The Board recognises that the future success of the Group depends largely on its ability to build up a team of high calibre professional managers as its human resource capital. The Group is committed to building up such human resource capital to enhance its assets for ensuring future growth.

The remuneration of the individual Directors and the 5 highest paid individuals are set out in notes 12 and 13 to the consolidated financial statements.

(4) Audit Committee

The Audit Committee was established by the Board since the listing of the shares of the Company on the Stock Exchange on 7 April 2000. The Audit Committee currently comprises 3 independent non-executive Directors. The chairperson of the Audit Committee is Mr. Cheong Ying Chew, Henry and the other members are Mr. Li Weibin and Mr. Li Ming.

The Audit Committee has its written terms of reference adopted since its establishment. The terms of reference were subsequently revised on 30 March 2012 in order to comply with the then adopted amendments to the CG Code. In light of the amendments made to the CG Code with effect from 1 January 2016, the Board has further adopted the revised terms of reference of the Audit Committee on 15 December 2015 in accordance with such CG Code amendments.

The major duties of the Audit Committee set out in its terms of reference are summarised as follows:

- to ensure and coordinate the relationship with the Company's external auditors and make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors;

- to review the Company's financial information; and

- to oversee the Company's financial reporting system, risk management and internal control systems.

The Audit Committee held 2 meetings during the reporting period for the purposes of, including but not limited to, the following:

- reviewed and commented on the Company's annual and interim financial reports;

- oversaw the Group's financial reporting system, risk management and internal control systems on an ongoing basis;

- reviewed the financial reporting system to ensure the adequacy of resources, qualifications and experience of staff in accounting and financial reporting functions of the Group;
- discussed the Group's internal audit plan with the Risk Management Department;
- reviewed the continuing connected transactions of the Company;
- reviewed and made recommendation to the Board on the adoption of the whistleblowing policy; and
- met and communicated with the external auditors for audit works of the Group.

The attendance record of the Audit Committee meetings during the reporting period:

Name of Director	Number of meetings attended/held	Attendance rate
Independent Non-Executive Directors:		
Mr. Cheong Ying Chew, Henry *(Chairperson)*	2/2	100%
Mr. Li Weibin	2/2	100%
Mr. Li Ming	2/2	100%

Accountability and Audit

The Board is accountable to the shareholders of the Company through proper financial reporting, regular internal control reviews, interim reviews and annual audits. These are the most efficient way in assessing the effectiveness of the Board in managing the business and affairs of the Group.

Financial Reporting

The Directors are responsible for overseeing the preparation of the annual consolidated financial statements which give a true and fair view of the state of business affairs and of the results and cash flow of the Group for the reporting period. In preparing the consolidated financial statements, the Directors have:

- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;
- made judgments and estimates that were prudent and reasonable, and ensured the consolidated financial statements were prepared on a going concern basis; and
- ensured that the consolidated financial statements were prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

The Board recognises that high quality corporate reporting is important in enhancing the relationship between the Company and its stakeholders. The Board aims at presenting a balanced, clear and comprehensible vision of the performance, position and prospects of the Group in all corporate communications. The Company's management provides the Board with monthly updates giving a balanced and understandable assessment of the Group's business and financial performance in sufficient detail to enable the Board to discharge their duties.

The statement of Messrs Deloitte Touche Tohmatsu, being the external auditors of the Company, reporting their responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 67 to 74 to this annual report.

Internal Controls

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained. The system includes a defined management structure with specified limits of authority, to:

- achieve business objectives and safeguard assets against unauthorised use or disposition;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- ensure compliance with the relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and manage, rather than eliminate, risks of failure in operational systems, and to ensure achievement of the Group's objectives.

The Board had performed annual review on the effectiveness and adequacy of the Group's risk management and internal control systems, including but not limited to changes in the any risks since last year's review, the scope and quality of management's ongoing review on risk management and internal control systems of the Group; result of internal audit work; significant failures or weaknesses identified and their impacts on the Group during the reporting period; and the financial reporting and status of compliance with the Listing Rules by the Group, in accordance with its internal control framework set out below with the assistance of the Risk Management Department.

Risk Management and Internal Control Framework

The internal control framework established by the Board is highlighted as follows:

(1) Distinct organisational structure

To allow delegation of authority as well as to enhance accountability, a distinct organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Division/Department heads are involved in preparing the strategic plan and the operation plan based on the corporate strategies and annual operational and financial targets determined by the Board. Both of the strategic plan and the annual operating plan laid down the foundation for preparation of the annual budgets, which identify and prioritise business opportunities with reference to the resources allocation.

During the reporting period, the Group continued to implement a series of corporate reorganisation programmes in order to achieve a unit chain of command and improve the operation flow. With the continuous focus on the unit chain of command, the Group anticipates to attain better controls and effectively monitor the management, operational and financial processes.

(2) Comprehensive management reporting

A comprehensive management reporting system is in place providing financial and operational performance measurement indicators to the management and relevant financial information for reporting and disclosure purposes. Variances between actual performances and targets are prepared, analysed and explained, and appropriate actions are taken, if necessary, to rectify the deficiencies noted. This helps the management of the Company to monitor the business operations and enables the Board to formulate a strategic plan in a timely and prudent manner.

(3) Regular risk assessment

Systems and procedures are set up to identify, measure, manage and control risks including but not limited to operational risk, accounting risk, interest rate risk and compliance risk that may have an impact on the business of the Group. The Risk Management Department evaluates whether the Group's risk management is in line with the established strategies, policies and procedures of the Company.

(4) Regulated cash and treasury management

The Group maintains a sound system and clear authority limit to ensure daily cash and treasury operations meet the relevant policies and rules established by the Group.

(5) Regular reviews by Risk Management Department and Internal Audit Department

The Risk Management Department was established by the Company in December 2005. The key function of the Risk Management Department is to provide an independent appraisal function to examine and evaluate operations, the systems of internal control and risk management as a service to the Company and its subsidiaries. The Risk Management Department assists all levels of administrations in the achievement of the organisational goals and objectives by striving to provide a positive impact on:

- efficiency and effectiveness of operating functions;
- reliability of financial reporting;
- status of implementation and effectiveness of the internal control policies and procedures; and
- compliance with applicable laws and regulations.

The Risk Management Department also has a role to assist the Board and the Audit Committee to ensure that the Company maintains a sound system of internal controls by:

- reviewing all aspects of the Group's activities and internal controls with unrestricted right of access;
- conducting comprehensive audits of the practices and procedures of the Group;
- conducting comprehensive audits of income and expenditure, internal controls of all business units of the Group;
- conducting comprehensive audits of cash and operational management for various sales offices on a regular basis with the support by the Internal Audit Department; and
- conducting special reviews and investigations of concerned areas identified by the Board or the management.

The Head of Risk Management has unrestricted direct access to the Audit Committee and reports directly to the Board and the Audit Committee. The Head of Risk Management is invited to attend the Audit Committee meetings and has the right to bring appropriate matters identified during the course of the risk assessment and the internal audits to the attention of the Audit Committee. This reporting structure allows the Risk Management Department to maintain its independence and to have free access to all members of the Board.

During the reporting period and up to the date of this report, the work performed by the Risk Management Department includes:

- reviewed and evaluated major business cycles of several business units; and

- reviewed the effectiveness of all material aspects of the risk management and internal control systems of the Group.

The Internal Audit Department was established since 1996 mainly for examining and evaluating the operations and compliance status of the sales offices and branches in the mainland China TV business unit, which is the largest cash flow and revenue contributor of the Group. Besides, it also carries out special audits when senior staff leaving their positions either due to resignations or job rotations within the Group. During the reporting period, the Internal Audit Department also carried out the audit of certain major business units, in order to enhance the management and operational efficiency. Currently, the Internal Audit Department has approximately 27 staff members, most of them continuously travel all over mainland China and overseas to perform their internal audit work.

During the reporting period, the Internal Audit Department issued over 74 reports to the Board and senior management on its regular reviews of operations and compliance audits of certain business units, sales offices and branches as well as reports on senior staff leaving their positions.

Internal Audit Plan

The Risk Management Department, by considering current status and future development of the Group, would submit an internal audit annual plan ("IA Annual Plan") to the Audit Committee and the Board for review and approval, in order to match with the business strategy of the Group.

Risk Management and Internal Control Review

During the reporting period, the Board, through the work performed by the Risk Management Department, conducted a review on the system of internal controls in accordance with the IA Annual Plan, which covers material controls, including financial, operational and compliance controls and risk management functions. The results of the review indicated that the system of risk management and internal controls of the Group is effective and adequate notwithstanding that there were some improvement opportunities identified. The Board would consider and evaluate those improvement opportunities identified by the Risk Management Department and make corresponding changes to the current system as and when appropriate. The Board would continue to review and improve the internal control system in fulfilment of Group's business objective.

External Auditor

The Group's external auditor is Messrs Deloitte Touche Tohmatsu. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditor. Up to the date of this report, the Audit Committee has considered and approved the engagement of Messrs Deloitte Touche Tohmatsu as auditor of the Group for the reporting period and the corresponding audit fee estimation.

The remuneration paid or payable by the Group to Messrs Deloitte Touche Tohmatsu in respect of their audit and other non-audit services for the reporting period were as follows:

Nature of services	For the 9 months period ended 31 December 2018 Amounts RMB million	For the year ended 31 March 2018 Amounts RMB million
Audit service (including review of interim financial statements)	**7**	7
Non-audit and tax related service	**2**	2
Total	**9**	9

Company Secretary

Mr. Lam Shing Choi, Eric ("Mr. Lam") was appointed as the Company Secretary since 1 December 2013. The biographical details of Mr. Lam are set out under the section headed "Directors and Senior Management Profiles" of this annual report.

In accordance with Rule 3.29 of the Listing Rules, Mr. Lam has taken no less than 15 hours of relevant professional training during the reporting period.

Corporate Communication with Stakeholders

The Company has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its stakeholders, including, inter alia, the general public, analysts, and the institutional and individual shareholders of the Company. The main features of the system are that:

- the Company maintains a website on which comprehensive information about the Group, including corporate structure, management profile, products and services provided, financial reports, announcements and news of the Group, are disclosed;

- the Company establishes and maintains different communication channels with its stakeholders through publication of annual and interim reports, announcements and press releases. To promote effective communication, the shareholders of the Company can obtain corporate communication electronically via the Company's corporate website http://investor.skyworth.com/en/index.php;

- the annual general meeting of the Company provides a good forum for the shareholders to exchange views with the Board. The Chairman of the Board as well as chairpersons of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, members of the committees will be available to answer questions which may be raised by the shareholders of the Company;

- separate resolutions are proposed at general meetings for each substantial issue, including the election of individual Directors;

- details of the poll voting procedures and the rights of shareholders to demand a poll are included in a circular to the shareholders despatched prior to the date of the relevant general meeting. The circular also includes relevant details of proposed resolutions;

- the poll results are published on the website of Hong Kong Exchanges and Clearing Limited and on the Company's website http://investor.skyworth.com/en/index.php; and

- the Company publishes its own newspapers and magazines, which report up-to-date corporate strategy and business development of the Group, on a regular basis for internal circulation.

Shareholders' Right

Pursuant to the bye-laws of the Company, shareholder(s) holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the voting right at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to request a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner.

The procedures for shareholders of the Company to convene a special general meeting and put forward proposals at shareholders' meetings are available on the website of the Company, and a summary of which is as follows:

Shareholders can submit a requisition to move a resolution at general meetings pursuant to the Companies Act 1981 of Bermuda. The number of shareholders necessary for a requisition shall be:

- either representing not less than one-twentieth (5%) of the total voting rights of the Company having on the date of the requisition; or

- not less than 100 shareholders of the Company.

The written requisitions must:

- state the resolution, with a statement not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting;
- be signed by all the requisitionists (may consist of several documents in like form each signed by one or more requisitionists); and
- be deposited at the head office of the Company in Hong Kong for the attention of the Company Secretary.

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the Company Secretary at the Company's Hong Kong office at Rooms 1601-04, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. Shareholders of the Company can also make enquiries to the Board directly at the general meetings.

Constitutional Documents

During the reporting period, there were no changes in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Members of Skyworth Digital Holdings Limited
創維數碼控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Skyworth Digital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 223, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the nine months ended 31 December 2018 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter

Write-down for inventories

We identified the write-down for inventories as a key audit matter due to the significance of inventories to the consolidated statement of financial position as a whole, combined with significant management judgement associated with the assessment of write-down for inventories.

As disclosed in note 27 to the consolidated financial statements, inventories of the Group as at 31 December 2018 comprised of raw materials, work in progress and finished goods amounting to RMB1,820 million, RMB328 million and RMB3,883 million respectively. As further disclosed in note 11 to the consolidated financial statements, an expense of RMB46 million was recognised in profit or loss to write-down the cost of inventories to their net realisable values during the nine months ended 31 December 2018.

As disclosed in note 4 to the consolidated financial statements, the assessment of write-down for inventories requires significant management judgement in determining estimated selling prices, estimated cost to completion and reviewing the usability and saleability of inventories.

How our audit addressed the key audit matter

Our procedures in relation to the write-down for inventories include:

- Obtaining an understanding of management's process of carrying out the assessment of write-down of inventories;
- Evaluating the basis of write-down for inventories assessed by management;
- Assessing the appropriateness of the estimated selling prices of the inventories by tracing to recent or subsequent selling prices of the same products, on a sample basis;
- Evaluating the reasonableness of management's estimates for cost to completion and tracing to the supporting documents, on a sample basis;
- Obtaining an understanding of how management review usability and saleability of inventories by product types for identifying slow moving inventories; and
- Testing the integrity of the inventory ageing report used as a basis to calculate the provision.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses for trade receivables	
We identified the estimated provision of expected credit losses for trade receivables as a key audit matter due to the significance of trade receivables to the consolidated statement of financial position as a whole, combined with significant management estimation associated with the assessment of impairment of trade receivables. As disclosed in note 31 to the consolidated financial statements, the carrying amount of trade receivables is RMB9,474 million (net of allowance for credit losses of RMB297 million). As explained in note 2 to the consolidated financial statements, in the current period, the Group adopted Hong Kong Financial Reporting Standard 9 *Financial Instruments* ("HKFRS 9") issued by HKICPA and recognised an addition impairment loss of RMB26 million as at 1 April 2018. In addition, an impairment loss of RMB97 million was recognised in profit or loss on trade receivables during the nine months ended 31 December 2018. As disclosed in note 4 to the consolidated financial statements, the impairment loss assessment requires significant management estimation in determining the expected credit losses for trade receivables. The Group uses provision matrix, through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, repayment history and/or past due status of respective trade receivables, to calculate expected credit losses for trade receivables. The estimated loss rates are based on the average of market corporate default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs. In addition, trade receivables that are credit impaired are assessed for expected credit losses individually with reference to the historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers.	Our procedures in relation to estimated provision of expected credit losses for trade receivables included: • Obtaining an understanding of management's process of assessing the expected credit losses of trade receivables; • Evaluating the appropriateness of groupings of trade debtors having similar loss patterns in the provision matrix and testing the integrity of the information used by the management to develop the provision matrix; • Evaluating the reasonableness of management's determination of the expected loss rates (with reference to market corporate default rates and publicly available forward-looking information); • Testing the accuracy of management's calculation of the expected credit losses for trade receivables for both 1 April 2018 on initial adoption of HKFRS 9 and 31 December 2018; • Evaluating the reasonableness of management's determination of allowance for credit losses for credit impaired trade receivables with reference to the historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers; • Testing subsequent settlements of credit impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period; and • Evaluating the disclosures regarding the impairment assessment of trade receivables in notes 2, 4, 31 and 53(b) to the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted equity securities in equity instruments at fair value through profit or loss ("FVTPL") and equity instruments at fair value through other comprehensive income ("FVTOCI")	
We identified the valuation of unlisted equity securities in equity instruments at FVTPL and equity instruments at FVTOCI as a key audit matter due to significant judgement and estimation required in determining their fair values. As disclosed in note 23 to the consolidated financial statements, as at 31 December 2018, the fair values of unlisted equity securities in equity instruments at FVTPL and equity instruments at FVTOCI amounted to RMB390 million and RMB1,494 million respectively, with the fair value loss of RMB26 million and RMB1,499 million (net of income tax of RMB264 million) recognised in the profit or loss and in other comprehensive expense for the period then ended respectively. As disclosed in note 4 to the consolidated financial statements, in estimating the fair value of unlisted equity securities, the Group engaged independent qualified external valuers (the "Valuers") to perform the valuation and worked with the Valuers to establish inputs to the valuation. The fair value of unlisted equity instruments was mainly arrived at by using market approach. The valuations are dependent on certain significant unobservable inputs that involve judgements, including trading multiples of comparable companies and discounts for lack of marketability.	Our procedures in relation to the valuation of unlisted equity securities in equity instruments at FVTPL and equity instruments at FVTOCI included: • Evaluating the competence, capabilities and objectivity of the Valuers; • Assessing the scope of the valuation, appropriateness of significant assumptions, critical judgements and data used in the valuation based on market data; • Checking the reasonableness of the key inputs used by the Valuers in the valuation, including the earnings multiples of comparable companies on a sample basis, against market data; and • Engaging our internal valuation specialists to evaluate the appropriateness of the valuation methodology and reasonableness of the key inputs, including discounts for lack of marketability, to determine the fair value of selected unlisted equity instruments based on market data and check the accuracy of the valuation calculation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 31 December 2018

Amounts expressed in millions of Renminbi except for earnings per share data

	NOTES	**Nine months ended 31 December 2018**	Year ended 31 March 2018
Revenue			
Sales of goods		**29,736**	38,795
Rental		**272**	294
Interest		**184**	182
Total revenue	5	**30,192**	39,271
Cost of sales		**(24,534)**	(32,726)
Gross profit		**5,658**	6,545
Other income	7	**628**	1,139
Other gains and losses	8(a)	**(13)**	(178)
Impairment loss recognised in respect of financial assets	8(b)	**(277)**	(77)
Selling and distribution expenses		**(2,862)**	(3,873)
General and administrative expenses		**(2,160)**	(2,472)
Finance costs	9	**(335)**	(322)
Share of results of associates		**9**	10
Share of results of joint ventures		**–**	(1)
Profit before taxation		**648**	771
Income tax expense	10	**(95)**	(272)
Profit for the period/year	11	**553**	499
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(132)**	(131)
Fair value loss on available-for-sale financial assets		**–**	(16)
Cumulative gain reclassified to profit or loss on disposal of investments classified as available-for-sale		**–**	(14)
		(132)	(161)
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at FVTOCI		**(1,763)**	–
Income tax relating to item that will not be reclassified subsequently		**264**	–
		(1,499)	–
Other comprehensive expense for the period/year		**(1,631)**	(161)
Total comprehensive (expense) income for the period/year		**(1,078)**	338

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 31 December 2018

Amounts expressed in millions of Renminbi except for earnings per share data

	NOTE	**Nine months ended 31 December 2018**	Year ended 31 March 2018
Profit for the period/year attributable to:			
Owners of the Company		**420**	459
Non-controlling interests		**133**	40
		553	499
Total comprehensive (expense) income for the period/year attributable to:			
Owners of the Company		**(1,199)**	53
Non-controlling interests		**121**	285
		(1,078)	338
Earnings per share (expressed in Renminbi cents)			
Basic	15	**13.85**	15.21
Diluted	15	**11.63**	13.81

Consolidated Statement of Financial Position

At 31 December 2018

Amounts expressed in millions of Renminbi

	NOTES	**As at 31 December 2018**	As at 31 March 2018
Non-current Assets			
Property, plant and equipment	16	**6,571**	6,344
Deposits paid for purchase of property, plant and equipment		**360**	198
Investment properties	17	**4**	4
Prepaid lease payments on land use rights	18	**2,331**	2,417
Goodwill	19	**384**	422
Intangible assets	20	**92**	94
Interests in associates	21	**79**	68
Interests in joint ventures	22	**22**	39
Equity instruments at FVTPL	23	**463**	–
Equity instruments at FVTOCI	23	**1,494**	–
Available-for-sale investments	24	**–**	1,155
Loan receivables	25	**41**	2
Deferred tax assets	26	**555**	398
		12,396	11,141
Current Assets			
Inventories	27	**6,031**	5,202
Stock of properties	28	**866**	1,125
Prepaid lease payments on land use rights	18	**50**	67
Investments in debt securities	29	**158**	91
Available-for-sale investments	24	**–**	82
Financial assets at FVTPL	30	**37**	–
Held-for-trading investments	30	**–**	32
Trade receivables	31	**16,416**	12,417
Other receivables, deposits and prepayments	32	**2,545**	1,924
Loan receivables	25	**2,730**	2,673
Finance lease receivables	33	**128**	139
Amounts due from associates	34	**–**	26
Prepaid tax		**31**	40
Pledged bank deposits	35	**123**	334
Restricted bank deposits	35	**335**	514
Bank balances and cash	35	**3,314**	7,294
		32,764	31,960
Current Liabilities			
Trade and other payables	36(a)	**10,456**	10,052
Bills payables	37	**6,182**	5,448
Derivative financial instruments	38	**3**	2
Contract liabilities	39	**1,443**	–
Provision for warranty	40	**143**	138
Amounts due to associates	34	**–**	23
Amount due to a non-controlling shareholder of a subsidiary	34	**50**	60
Tax liabilities		**117**	91
Borrowings	41	**5,590**	6,165
Deferred income	42	**144**	250
		24,128	22,229
Net Current Assets		**8,636**	9,731
Total Assets less Current Liabilities		**21,032**	20,872

Consolidated Statement of Financial Position

At 31 December 2018

Amounts expressed in millions of Renminbi

	NOTES	**As at 31 December 2018**	As at 31 March 2018
Non-current Liabilities			
Other financial liabilities	36(b)	**173**	163
Provision for warranty	40	**80**	66
Borrowings	41	**734**	1,311
Corporate bonds	43	**1,990**	1,990
Deferred income	42	**522**	644
Deferred tax liabilities	26	**178**	154
		3,677	4,328
NET ASSETS		**17,355**	16,544
Capital and Reserves			
Share capital	44	**308**	308
Reserves		**15,162**	14,614
Equity attributable to owners of the Company		**15,470**	14,922
Non-controlling interests		**1,885**	1,622
		17,355	16,544

The consolidated financial statements on pages 75 to 223 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

LAI WEIDE
DIRECTOR

LIU TANGZHI
DIRECTOR

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2018

Amounts expressed in millions of Renminbi

	Attributable to owners of the Company												Attributable to non-controlling interests			
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	Investment revaluation reserve	FVTOCI reserve	Surplus account *(Note (a))*	Capital reserve *(Note (b))*	Exchange reserve	Accumulated profits	Sub-total	Share award reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
Balance at 1 April 2017	307	3,231	184	28	(130)	51	–	40	1,211	394	8,414	13,730	–	1,183	1,183	14,913
Profit for the year	–	–	–	–	–	–	–	–	–	–	459	459	–	40	40	499
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(376)	–	(376)	–	245	245	(131)
Fair value loss on available-for-sale financial assets, net of tax	–	–	–	–	–	(16)	–	–	–	–	–	(16)	–	–	–	(16)
Cumulative gain reclassified to profit or loss upon disposal of investments classified as available-for-sale	–	–	–	–	–	(14)	–	–	–	–	–	(14)	–	–	–	(14)
Total comprehensive (expense) income for the year	–	–	–	–	–	(30)	–	–	–	(376)	459	53	–	285	285	338
Recognition of equity-settled share-based payments *(note 47)*	–	–	15	7	–	–	–	–	–	–	–	22	14	–	14	36
Transfer to capital reserve	–	–	–	–	–	–	–	–	69	–	(69)	–	–	–	–	–
Issue of shares under share option scheme of the Company	–	3	(1)	–	–	–	–	–	–	–	–	2	–	–	–	2
Issue of shares under scrip dividend scheme	1	58	–	–	–	–	–	–	–	–	–	59	–	–	–	59
Shares vested under the share award schemes of the Company	–	–	–	(29)	25	–	–	–	–	–	3	(1)	–	–	–	(1)
Lapse of vested share awards	–	–	–	(6)	–	–	–	–	–	–	6	–	–	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	–	–	(129)	(129)	–	–	–	(129)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(60)	(60)	(60)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	77	77	77
Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of subsidiaries *(Note (c))*	–	–	–	–	–	–	–	–	–	–	1,089	1,089	–	171	171	1,260
Acquisition of additional interests in subsidiaries *(Note (d))*	–	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)	(1)
Other financial liabilities arising on disposal of partial interest in subsidiaries *(note 36(b))*	–	–	–	–	–	–	–	–	–	–	–	–	–	(50)	(50)	(50)
Release of other financial liabilities to non-controlling interests *(note 36(b))*	–	–	–	–	–	–	–	–	–	–	97	97	–	3	3	100
Balance at 31 March 2018	308	3,292	198	–	(105)	21	–	40	1,280	18	9,870	14,922	14	1,608	1,622	16,544
Adjustments *(note 2)*	–	–	–	–	–	(21)	2,064	–	–	–	(50)	1,993	–	–	–	1,993
Balance at 1 April 2018 (restated)	308	3,292	198	–	(105)	–	2,064	40	1,280	18	9,820	16,915	14	1,608	1,622	18,537

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2018

Amounts expressed in millions of Renminbi

	Attributable to owners of the Company												Attributable to non-controlling interests			
	Share capital	Share premium	Share option reserve	Share award reserve	Shares held for share award scheme	Investment revaluation reserve	FVTOCI reserve	Surplus account *(Note (a))*	Capital reserve *(Note (b))*	Exchange reserve	Accumulated profits	Sub-total	Share award reserve of a subsidiary	Share of net assets of subsidiaries	Sub-total	Total
Profit for the period	–	–	–	–	–	–	–	–	–	–	420	420	–	133	133	553
Fair value loss on equity instruments at FVTOCI, net of tax	–	–	–	–	–	–	(1,499)	–	–	–	–	(1,499)	–	–	–	(1,499)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(120)	–	(120)	–	(12)	(12)	(132)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(1,499)	–	–	(120)	420	(1,199)	–	121	121	(1,078)
Recognition of equity-settled share-based payments *(note 47)*	–	–	4	17	–	–	–	–	–	–	–	21	21	–	21	42
Transfer to capital reserve	–	–	–	–	–	–	–	–	336	–	(336)	–	–	–	–	–
Shares vested under the share award schemes of the Company and a subsidiary of the Company	–	–	–	(7)	7	–	–	–	–	–	42	42	–	17	17	59
Lapse of share option	–	–	(135)	–	–	–	–	–	–	–	135	–	–	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	–	–	(241)	(241)	–	–	–	(241)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(32)	(32)	(32)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	59	59	59
Non-controlling interests arising on disposal of partial interests in subsidiaries that does not result in losing control of subsidiaries *(Note (c))*	–	–	–	–	–	–	–	–	–	–	(68)	(68)	–	80	80	12
Disposal of a subsidiary *(note 48)*	–	–	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)	(2)
Acquisition of additional interests in subsidiaries *(Note (d))*	–	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)	(1)
Balance at 31 December 2018	308	3,292	67	10	(98)	–	565	40	1,616	(102)	9,772	15,470	35	1,850	1,885	17,355

Notes:

(a) Surplus account represented the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserves accounts of Skyworth Investment (Holdings) Limited, a subsidiary which was acquired by the Company pursuant to the group reorganisation carried out in 2000.

(b) Capital reserve represented the People's Republic of China (the "PRC") statutory reserves. Pursuant to the relevant PRC regulations and the Articles of Association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to transfer not less than 10% of their post-tax profit to statutory reserves (i.e. capital reserve) as reserve funds until the aggregated amounts have reached 50% of their registered capitals. These reserves should only be used for making up losses, capitalisation into capital, and expansion of production and operation.

(c) During the nine months ended 31 December 2018, the Company mainly disposed of 7.53% (for the year ended 31 March 2018: 12.6%) equity interest of Shenzhen Coocaa Network Technology Company Limited ("Shenzhen Coocaa") for a consideration of RMB12 million (for the year ended 31 March 2018: RMB1,260 million). The difference between the consideration and the net assets attributable to the interest disposed to the non-controlling shareholders is debited to accumulated profits.

(d) During the nine months ended 31 December 2018, the Group acquired 30% equity interest in 深圳市鳳梨科技有限公司 from a non-controlling shareholder for a consideration of RMB1 million, which approximates the carrying amount of the net assets attributable to the additional interest acquired from the non-controlling shareholder.

During the year ended 31 March 2018, the Group acquired 10% equity interest in 宜春創維置業有限公司 from a non-controlling shareholder for a consideration of RMB1 million, which approximates the carrying amount of the net assets attributable to the additional interest acquired from the non-controlling shareholder.

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2018
Amounts expressed in millions of Renminbi

	Nine months ended 31 December 2018	Year ended 31 March 2018
OPERATING ACTIVITIES		
Profit before taxation	**648**	771
Adjustments for:		
Amortisation of intangible assets	**2**	3
Depreciation of property, plant and equipment	**344**	377
Dividend income	**(1)**	(141)
Finance costs	**335**	322
Gain from changes in fair value of derivative financial instruments	**(10)**	(3)
Gain on disposal of a joint venture	**(1)**	–
Gain on disposal of available-for-sale investments	**–**	(65)
Government grants related to assets recognised	**(53)**	(91)
Impairment loss recognised in respect of financial assets	**277**	77
Interest income	**(290)**	(346)
Loss from changes in fair value of equity instruments at FVTPL	**26**	–
Loss on disposal of land use rights	**8**	–
Loss on disposal of a subsidiary	**30**	–
Loss on disposal of property, plant and equipment	**27**	–
Provision for warranty	**140**	246
Release of prepaid lease payments on land use rights	**50**	87
Share-based payment expenses	**42**	36
Share of results of associates	**(9)**	(10)
Share of results of joint ventures	**–**	1
Write-down of inventories	**46**	64
Operating cash flows before movements in working capital	**1,611**	1,328
Cash received on settlement of derivative financial instruments	**11**	–
(Increase) decrease in inventories	**(776)**	711
Decrease (increase) in stock of properties	**259**	(195)
Increase in held-for-trading investments	**–**	(32)
Decrease in financial assets at FVTPL	**83**	–
Increase in trade receivables	**(5,158)**	(2,052)
Increase in other receivables, deposits and prepayments	**(620)**	(626)
Decrease in finance lease receivables	**6**	2
Increase in trade and other payables	**2,206**	102
Increase in bills payables	**734**	650
Decrease in contract liabilities	**(228)**	–
Decrease in provision for warranty	**(121)**	(202)
Decrease in amounts due to associates	**(30)**	(54)
(Decrease) increase in deferred income	**(220)**	81
Cash used in operations	**(2,243)**	(287)
Interest received	**184**	182
Hong Kong income tax paid	**(8)**	(12)
Overseas income tax paid	**(1)**	(37)
PRC income tax paid	**(241)**	(316)
Land appreciation tax paid	**(9)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(2,318)**	(470)

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2018

Amounts expressed in millions of Renminbi

	NOTE	Nine months ended 31 December 2018	Year ended 31 March 2018
INVESTING ACTIVITIES			
Dividend received		**6**	27
Interest received		**107**	153
Purchase of property, plant and equipment		**(1,009)**	(1,363)
Proceeds on disposal of property, plant and equipment		**64**	36
Addition to prepaid lease payments on land use rights		**(63)**	(108)
Proceeds on disposal of land use right		**46**	–
Purchase of intangible assets		**–**	(3)
Investments in an associate		**(7)**	–
Investments in equity instruments at FVTPL		**(123)**	–
Investments in available-for-sale investments		**–**	(207)
Proceeds on disposal of available-for-sale investments		**–**	1,035
Investments in debt securities		**(151)**	(98)
Proceeds on redemption of investments in debt securities upon maturity		**50**	633
Advance to an associate		**–**	(25)
Repayment from an associate		**26**	–
Loan advanced		**(953)**	(2,763)
Repayments of loan receivables		**606**	2,431
Advances to staffs		**(101)**	(240)
Repayments from staffs		**79**	75
Government grants received related to assets		**53**	111
Placement of pledged bank deposits		**(123)**	(456)
Withdrawal of pledged bank deposits		**334**	379
Placement of restricted bank deposits		**(335)**	(475)
Withdrawal of restricted bank deposits		**514**	389
Proceeds on disposal of a joint venture		**18**	–
Net cash outflow from acquisition of subsidiaries		**–**	(58)
Net cash inflow from disposal of a subsidiary	48	**14**	8
NET CASH USED IN INVESTING ACTIVITIES		**(948)**	(519)
FINANCING ACTIVITIES			
Dividends paid		**(283)**	(160)
Interest paid		**(349)**	(252)
Amounts received for restricted share incentive scheme of a subsidiary		**23**	204
Issue of shares through exercise of share options of the Company		**–**	2
Contributions from non-controlling interests		**59**	77
Consideration paid in acquisition of additional interests in subsidiaries		**(1)**	(1)
Proceeds from partial disposals of subsidiaries		**12**	1,279
New borrowings raised		**7,080**	7,476
Repayments of borrowings		**(7,175)**	(5,664)
New corporate bonds raised, net of transaction costs		**–**	1,990
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(634)**	4,951
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,900)**	3,962
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**7,294**	3,846
Effect of foreign exchange rate changes		**(80)**	(514)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by bank balances and cash		**3,314**	7,294

1. GENERAL

Skyworth Digital Holdings Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The functional currency of the Company and most of its subsidiaries (the "Group") is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates.

The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sales of consumer electronic products and upstream accessories, property development and property holding. Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 59, 21 and 22 respectively.

Change of financial year end date and presentation currency

During the current financial period, the financial year end date of the Company was changed from 31 March to 31 December to align with the financial year end date of the Company's principal operating subsidiaries established in the PRC for which their accounts are statutorily required to be prepared with a financial year end date of 31 December. Accordingly, the consolidated financial statements for the current period covers the nine months ended 31 December 2018. The corresponding comparative figures shown for the consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve months period from 1 April 2017 to 31 March 2018 and therefore may not be comparable with amounts shown for the current period.

In additions, the presentation currency for the consolidated financial statements of the Group was changed from Hong Kong Dollar ("HK$") to RMB because (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency will also reduce the impact of any fluctuations in the exchange rate of HK$ against RMB on the consolidated financial statements of the Group, which is unrelated to the operations of the Group and is beyond its control.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current period

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current period:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's performance and financial positions for the current and prior period/years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- manufacture and sales of television ("TV") products;
- manufacture and sales of digital set-top boxes;
- manufacture and sales of liquid crystal display ("LCD") modules;
- manufacture and sales of white appliances;
- manufacture and sales of lighting products, security system, air conditioning and other electronic products, etc.;
- trading of other products; and
- sales of properties.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current period (Continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The transition to HKFRS 15 has no material impact on the Group's accumulated profits at 1 April 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 RMB million	**Reclassification** RMB million *(Note)*	**Carrying amounts under HKFRS 15 at 1 April 2018*** RMB million
Current Liabilities			
Trade and other payables	10,052	(1,671)	8,381
Contract liabilities	–	1,671	1,671

* *The amounts in this column are before the adjustments from the application of HKFRS 9.*

Note: *As at 1 April 2018, deposits received for sales of goods and deposits received for sales of properties of RMB748 million and RMB923 million, respectively previously included in trade and other payables were reclassified to contract liabilities.*

In addition, as at 1 April 2018, estimated sales rebate payable of RMB877 million previously included as sales rebate payable under trade and other payables were reclassified to refund liabilities under trade and other payables upon application of HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current period (Continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and the consolidated statement of cash flows for the nine months ended 31 December 2018 for each of the line items affected. The application of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported RMB million	Adjustments RMB million	Amounts without application of HKFRS 15 RMB million
Current Liabilities			
Trade and other payables	10,456	1,443	11,899
Contract liabilities	1,443	(1,443)	–

Impact on the consolidated statement of cash flows

	As reported RMB million	Adjustments RMB million	Amounts without application of HKFRS 15 RMB million
Decrease in contract liabilities	(228)	228	–
Increase in trade and other payables	2,206	(228)	1,978

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current period (Continued)

2.2 HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments*. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (such as contract assets and lease receivables) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current period (Continued)

2.2 HKFRS 9 *Financial Instruments* (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets, financial liabilities, other items subject to ECL and other related items under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	Notes	Available-for-sale investments RMB million	Held-for trading investments RMB million	Financial assets at FVTPL RMB million	Equity instruments at FVTPL RMB million	Equity instruments at FVTOCI RMB million	Trade receivables RMB million	Loan receivables RMB million	Finance lease receivables RMB million	Deferred tax assets RMB million	Investment revaluation reserve RMB million	FVTOCI reserve RMB million	Deferred tax liabilities RMB million	Accumulated profits RMB million
Closing balance at 31 March 2018														
– HKAS 39		1,237	32	–	–	–	7,003	2,675	139	398	21	–	154	9,870
Effect arising from initial application of HKFRS 9:														
Reclassification														
From available-for-sale investments	*(a)*	(1,237)	–	88	320	829	–	–	–	–	(21)	–	–	21
From held-for-trading investments	*(b)*	–	(32)	32	–	–	–	–	–	–	–	–	–	–
Remeasurement														
Impairment under ECL model	*(c)*	–	–	–	–	–	(26)	(111)	(1)	28	–	–	–	(110)
From cost less impairment to fair value	*(a)*	–	–	–	47	2,428	–	–	–	11	–	2,064	383	39
Opening balance at 1 April 2018														
– HKFRS 9		–	–	120	367	3,257	6,977	2,564	138	437	–	2,064	537	9,820

Notes:

(a) Available-for-sale investments

<u>*From available-for-sale investments to equity instruments at FVTOCI*</u>

The Group elected to present in OCI (rather than in profit or loss) for the fair value changes of certain unlisted equity securities previously classified as available-for-sale investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB829 million were reclassified from available-for-sale investments to equity instruments at FVTOCI which are related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of RMB2,428 million relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve (net of corresponding tax effect of RMB364 million) as at 1 April 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current period (Continued)

2.2 HKFRS 9 *Financial Instruments* (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

(a) Available-for-sale investments (Continued)

From available-for-sale investments to equity instruments at FVTPL

At the date of initial application of HKFRS 9, the remaining of the Group's listed equity securities, unlisted equity securities and unlisted investment funds of RMB63 million, RMB257 million and RMB88 million, respectively were reclassified from available-for-sale investments to equity instruments at FVTPL and financial assets at FVTPL of RMB320 million and RMB88 million, respectively. The fair value gains of RMB47 million relating to those equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTPL (net of corresponding tax effect of RMB8 million) and accumulated profits as at 1 April 2018. The fair value gains of RMB21 million relating to those investments previously carried at fair value were transferred from investment revaluation reserve to accumulated profits.

(b) Financial assets at FVTPL

The Group has reassessed its unlisted investment fund classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, RMB32 million of the Group's investments were held for trading and continued to be measured at FVTPL and there was no impact on the amount recognised in relation to these assets from application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, and lease receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables, and lease receivables have been assessed individually with significant outstanding balances and/or collectively using a provision matrix with appropriate groupings based on internal credit rating.

ECL for other financial assets at amortised cost, including loan receivables, investments in debt securities, other receivables, amounts due from associates, pledged bank deposits, restricted bank deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowances on trade receivables, loan receivables and finance lease receivables of RMB26 million, RMB111 million and RMB1 million, respectively, net of corresponding tax effect of RMB28 million, have been recognised against accumulated profits.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current period (Continued)

2.2 HKFRS 9 *Financial Instruments* (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

(c) Impairment under ECL model (Continued)

All loss allowances, including trade receivables and loan receivables, as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Trade receivables RMB million	**Loan receivables** RMB million
At 31 March 2018 – HKAS 39	174	98
Amounts remeasured through opening accumulated profits	26	111
At 1 April 2018 – HKFRS 9	200	209

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current period (Continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 March 2018 RMB million (audited)	HKFRS 15 RMB million	HKFRS 9 RMB million	1 April 2018 RMB million (restated)
Non-current Assets				
Available-for-sale investments	1,155	–	(1,155)	–
Equity instruments at FVTPL	–	–	367	367
Equity instruments at FVTOCI	–	–	3,257	3,257
Loan receivables	2	–	–	2
Deferred tax assets	398	–	39	437
Other with no adjustments	9,586	–	–	9,586
	11,141	–	2,508	13,649
Current Assets				
Trade receivables	12,417	–	(26)	12,391
Available-for-sale investments	82	–	(82)	–
Held-for-trading investments	32	–	(32)	–
Financial assets at FVTPL	–	–	120	120
Loan receivables	2,673	–	(111)	2,562
Finance lease receivables	139	–	(1)	138
Others with no adjustments	16,617	–	–	16,617
	31,960	–	(132)	31,828
Current Liabilities				
Trade and other payables	10,052	(1,671)	–	8,381
Contract liabilities	–	1,671	–	1,671
Others with no adjustments	12,177	–	–	12,177
	22,229	–	–	22,229
Net Current Assets	9,731	–	(132)	9,599
Total Assets less Current Liabilities	20,872	–	2,376	23,248
Non-current Liabilities				
Deferred tax liabilities	154	–	383	537
Others with no adjustments	4,174	–	–	4,174
	4,328	–	383	4,711
NET ASSETS	16,544	–	1,993	18,537
Capital and Reserves				
Investment revaluation reserve	21	–	(21)	–
FVTOCI reserve	–	–	2,064	2,064
Accumulated profits	9,870	–	(50)	9,820
Others with no adjustments	6,653	–	–	6,653
	16,544	–	1,993	18,537

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term interests in Associates and Joint Venture[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 *Effective for annual periods beginning on or after 1 January 2019.*

2 *Effective for annual periods beginning on or after 1 January 2021.*

3 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

4 *Effective for annual periods beginning on or after a date to be determined.*

5 *Effective for annual periods beginning on or after 1 January 2020.*

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 *Leases* (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 will not result in changes in classification of these assets.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB348 million as disclosed in note 50. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements would result in changes in measurement, presentation and disclosure as indicated above. The Group would elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group would elect the modified retrospective approach for the application of HKFRS 16 as lessee and would recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company or its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period/year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash–generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash– generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Variable consideration

For contracts that contain variable consideration (i.e. sales rebate), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Goods, services, interests and dividends

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Repairs and maintenance income are recognised when the relevant services are provided.

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments on land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB), using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes, the Occupational Retirement Scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulated expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share award

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's share held for the share award scheme is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to accumulated profits.

At the end of each reporting period, the Group revisits its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of tax profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties which comprise a portion that is held to earn rentals and another significant portion that is held for use in the production or supply of goods or for administration purposes, and the portion of properties rent out under operating lease cannot be sold out separately (or cannot be leased out separately under a finance lease), are accounted for as property, plant and equipment.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination (Continued)

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Stock of properties

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost of stock of properties includes cost of land, development expenditure and other directly attributable expenses. Net realisable value represents the estimated selling price for stock of properties less all estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

Provision for warranty

Provision for warranty is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of obligation.

The amount recognised as provision for warranty is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 15 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance ECL on financial assets which are subject to impairment under HKFRS 9 (including loan receivables, investments in debt securities, trade receivables, lease receivables, other receivables, amounts due from associates, pledged bank deposits, restricted bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, lease receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, AFS financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investment whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, investments in debt securities, trade receivables, other receivables, amounts due from associates, pledged bank deposits, restricted bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss for an increase in the fair value of the investment can be objectively related to an event arising after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

Prior to application of HKFRS 9 on 1 April 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liability and is included in the "other gains and losses" line item.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bills payable, amounts due to associates, amount due to a non-controlling shareholder of a subsidiary, borrowings, corporate bonds and other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Write-down for inventories

Inventories are stated at the lower of cost and net realisable values. As at 31 December 2018, the carrying amount of inventories is RMB6,031 million (31 March 2018: RMB5,202 million). During the nine months ended 31 December 2018, an expense of RMB46 million (for the year ended 31 March 2018: RMB64 million) was recognised in profit or loss to write-down the cost of inventories to their net realisable values.

At the end of each reporting period, management carries out the assessment of write-down of inventories by comparing the carrying amounts of inventories with the net realisable values. The net realisable values are primarily made reference to the estimated selling prices, less the estimated cost to completion, as appropriate. Moreover, management also reviews the usability and saleability of inventories by product types at the end of reporting period, and writes-down for slow moving inventories. The identification of slow moving inventories is based on the inventory ageing and recent or subsequent usages/sales. The assessment of write-down for inventories requires significant management judgement in determining estimated selling prices, estimated cost to completion, and reviewing the usability and saleability of inventories. If the estimates are inaccurate, write-down for inventories may increase or decrease accordingly.

Fair value measurement of financial instruments

The Group's unlisted equity instruments at FVTPL and unlisted equity instruments at FVTOCI amounting to RMB390 million and RMB1,494 million, respectively, are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. In estimating the fair value of unlisted equity securities, the Group engaged independent qualified external valuers to perform the valuation and worked with the independent qualified external valuers to establish inputs to the valuation. The fair value of unlisted equity instruments was mainly arrived at by using market approach. The valuations are dependent on certain significant unobservable inputs that involve judgements, including trading multiples of comparable companies and discounts for lack of marketability. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 53(c) for further disclosures.

Estimated provision of ECL for trade receivables

The Group uses provision matrix, through grouping of various debtors that have similar loss patterns, after considering internal credit ratings, repayment history and/or past due status of respective trade receivables, to calculate ECL for its trade receivables. The estimated loss rates are based the average of market corporate default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs. At every reporting date, the estimated loss rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually with reference to the historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 53(b) and 31 respectively.

5. REVENUE

A. *For the nine months ended 31 December 2018*

(i) Disaggregation of revenue from contracts with customers, rental and interest

	TV products (PRC market) RMB million	TV products (Overseas market) RMB million	Digital set-top boxes and LCD modules RMB million	White appliances RMB million	Property holding RMB million	Others RMB million	Total RMB million
Type of goods							
Manufacture and sales of TV products	12,473	5,252	–	–	–	–	17,725
Manufacture and sales of digital set-top boxes	–	–	4,938	–	–	–	4,938
Manufacture and sales of LCD modules	–	–	643	–	–	–	643
Manufacture and sales of white appliances	–	–	–	2,101	–	–	2,101
Sales of properties	–	–	–	–	–	778	778
Others *(Note (1))*	–	–	–	–	–	3,551	3,551
Sales of goods *(Note (2))*	12,473	5,252	5,581	2,101	–	4,329	29,736
Rental	–	–	–	–	272	–	272
Interest *(Note (3))*	–	–	–	–	–	184	184
Segment revenue	12,473	5,252	5,581	2,101	272	4,513	30,192

Notes:

(1) *Others represents manufacture and sales of lighting products, security system, air conditioning and other electronic products, etc. and trading of other products.*

(2) *The revenue from sales of goods are recognised at a point in time under HKFRS 15.*

(3) *Interest represents interest income from loan receivables and finance lease receivables amounted to RMB163 million and RMB21 million respectively, under group entities in which the loan financing is a principal activity.*

5. REVENUE (Continued)

A. For the nine months ended 31 December 2018 (Continued)

(ii) Performance obligations for contracts with customers

Manufacture and sales of goods

The Group manufactures and sells TV products, digital set-top boxes, LCD modules, white appliances, lighting products, security system, air conditioning and other electronic products, etc., to the customers or directly to retail customers either through its own retail outlets and through internet sales.

For sales to the customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customers has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Sales of TV products, LCD modules, white appliances, lighting products, security system, air conditioning and other electronic products, etc., and trading of other products in the PRC are generally settled by payment on delivery or bills issued by banks with maturity dates ranging from 90 to 180 days. Sales to certain retailers in the PRC are made with credit terms of one to two months after sales. Certain district sales managers in the PRC are authorised to make credit sales for payment at 30 to 60 days up to a limited amount which is determined on the basis of the sales volume of the respective offices.

For sales of digital set-top boxes, the credit terms are normally ranging from 90 to 270 days. Sales to certain customers in the PRC are on instalment basis for a period ranging from 2 to 4.5 years.

Export sales of the Group are mainly by letters of credit with credit term ranging from 30 to 90 days.

For sales to retail customers through its own retail outlets, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For sales to retail customers through internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

5. REVENUE (Continued)

A. For the nine months ended 31 December 2018 (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Manufacture and sales of goods (Continued)

The amount of consideration the Group receives and revenue the Group recognises varies with changes in sales rebates the Group offers to the customers. The Group estimates the sales rebates based on analysis of historical experience, and adjusts for the most likely amount of consideration to be received. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated rebates which is estimated based on experience. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Refund liabilities (included in trade and other payables) is recognised for expected rebates to customers in relation to sales made at the end of the reporting period. No element of financing is deemed present as the sales rebates are payable on demand from customers.

Under the Group's standard contract terms, customers have a right to exchange for dissimilar products within 30 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised. The directors considered that there will have no significant reversal of revenue as of the end of the reporting period for exchange of products.

Sales-related warranties associated with electronic products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the directors of the Company considered that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30% to 70% of the contract value as deposits from customers when they sign the sale and purchase agreement. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

5. REVENUE (Continued)

A. *For the nine months ended 31 December 2018 (Continued)*

(ii) Performance obligations for contracts with customers (Continued)

Sales of properties (Continued)

The Group considers the advance payment schemes do not contain significant financing component and accordingly the amount of consideration is not adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Trading of other products

For trading of other products, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customers' specific location. The credit terms are normally ranging from 120 to 270 days.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 is within one year. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. *For the year ended 31 March 2018*

An analysis of the Group's revenue for the year ended 31 March 2018 was as follows:

	Year ended 31 March 2018 RMB million
Manufacture and sales of TV products	26,986
Manufacture and sales of digital set-top boxes	6,097
Manufacture and sales of LCD modules	944
Manufacture and sales of white appliances	2,265
Sales of properties	25
Others	2,478
Sales of goods	38,795
Rental	294
Interest	182
	39,271

6. SEGMENT INFORMATION

The Group is organised into operating business units according to the nature of the goods sold or services provided. The Group determines its operating segments based on these business units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker (i.e. the executive directors of the Company). In addition, for "TV products", the information reported to the chief operating decision maker is further broken down into PRC market and overseas market.

The Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. TV products (PRC market) – manufacture and sale of televisions for the PRC market (excluding Hong Kong Special Administrative Region and Macau Special Administrative Region)

2. TV products (overseas market) – manufacture and sale of televisions for the overseas market (including Hong Kong Special Administrative Region and Macau Special Administrative Region)

3. Digital set-top boxes and LCD – manufacture and sale of digital set-top boxes modules and LCD modules

4. White appliances – manufacture and sale of white appliances, including refrigerators, washing machines, etc.

5. Property holding – leasing of property

Although "White appliances" segment and "Property holding" segment do not meet any of the quantitative thresholds for determining reportable segments, they are separately disclosed as the management believes that information regarding these two segments would be useful to the users of the consolidated financial statements.

In addition to the above reportable segments, the Group has other operating segments mainly include manufacture and sale of lighting products, security system, air conditioning and other electronic products, etc., sales of properties, loan financing and trading of other products. These operating segments individually do not meet any of the quantitative thresholds for determining reportable segments. Accordingly, these operating segments are grouped as "Others" segment.

6. SEGMENT INFORMATION (Continued)

Segment information about these businesses is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the nine months ended 31 December 2018

	TV products (PRC market) RMB million	TV products (overseas market) RMB million	Digital set-top boxes and LCD modules RMB million	White appliances RMB million	Property holding RMB million	Total reportable segments RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Revenue									
Segment revenue from external customers	12,473	5,252	5,581	2,101	272	25,679	4,513	–	30,192
Inter-segment revenue	106	1	13	83	137	340	2,978	(3,318)	–
Total segment revenue	12,579	5,253	5,594	2,184	409	26,019	7,491	(3,318)	30,192
Results									
Segment results *(Note)*	248	127	221	71	128	795	68	–	863
Interest income									106
Unallocated corporate income									113
Unallocated corporate expenses									(108)
Finance costs									(335)
Share of results of associates									9
Consolidated profit before taxation of the Group									648

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 March 2018

	TV products (PRC market) RMB million	TV products (overseas market) RMB million	Digital set-top boxes and LCD modules RMB million	White appliances RMB million	Property holding RMB million	Total reportable segments RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Revenue									
Segment revenue from external customers	16,660	10,326	7,041	2,265	294	36,586	2,685	–	39,271
Inter-segment revenue	64	28	24	135	33	284	1,433	(1,717)	–
Total segment revenue	16,724	10,354	7,065	2,400	327	36,870	4,118	(1,717)	39,271
Results									
Segment results *(Note)*	666	77	141	(18)	183	1,049	(7)	–	1,042
Interest income									164
Unallocated corporate income									222
Unallocated corporate expenses									(344)
Finance costs									(322)
Share of results of associates									10
Share of results of joint ventures									(1)
Consolidated profit before taxation of the Group									771

Note: No intra-segment transactions have been included in measuring the segment results.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by (loss from) each segment without allocation of interest income, unallocated corporate income, unallocated corporate expenses, finance costs, and share of results of associates and joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 December 2018

	TV products (PRC market) RMB million	TV products (overseas market) RMB million	Digital set-top boxes and LCD modules RMB million	White appliances RMB million	Property holding RMB million	Total reportable segments RMB million	Others RMB million	Total RMB million
Assets								
Segment assets	12,080	1,793	6,995	1,869	4,685	27,422	10,743	38,165
Goodwill								384
Interests in associates								79
Interests in joint ventures								22
Unallocated corporate assets								6,510
Total consolidated assets								45,160
Liabilities								
Segment liabilities	4,038	1,493	4,044	1,550	974	12,099	6,428	18,527
Unallocated corporate liabilities								9,278
Total consolidated liabilities								27,805

As at 31 March 2018

	TV products (PRC market) RMB million	TV products (overseas market) RMB million	Digital set-top boxes and LCD modules RMB million	White appliances RMB million	Property holding RMB million	Total reportable segments RMB million	Others RMB million	Total RMB million
Assets								
Segment assets	9,978	2,590	6,642	1,444	4,436	25,090	7,542	32,632
Goodwill								422
Interests in associates								68
Interests in joint ventures								39
Unallocated corporate assets								9,940
Total consolidated assets								43,101
Liabilities								
Segment liabilities	3,844	391	3,579	1,252	1,090	10,156	5,794	15,950
Unallocated corporate liabilities								10,607
Total consolidated liabilities								26,557

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets other than inter-segment assets are allocated to reportable segments other than goodwill, interests in associates and joint ventures, equity instruments at FVTPL, equity instruments at FVTOCI, available-for-sale investments, deferred tax assets, investments in debt securities, financial assets at FVTPL, held-for-trading investments, prepaid tax, pledged bank deposits, restricted bank deposits, and bank balances and cash; and

- all liabilities other than inter-segment liabilities are allocated to reportable segments other than derivative financial instruments, tax liabilities, borrowings, deferred income, corporate bonds and deferred tax liabilities.

Other segment information

For the nine months ended 31 December 2018

	TV products (PRC market) RMB million	TV products (overseas market) RMB million	Digital set-top boxes and LCD modules RMB million	White appliances RMB million	Property holding RMB million	Total reportable segments RMB million	Others RMB million	Total RMB million
Included in measure of segment results or segment assets:								
Amortisation of intangible assets	–	2	–	–	–	2	–	2
Capital expenditure on								
– Property, plant and equipment	206	4	156	77	142	585	275	860
– Prepaid lease payments on land use rights	–	–	–	32	31	63	–	63
Depreciation of property, plant and equipment	57	5	98	37	94	291	53	344
Loss on disposal of property, plant and equipment	4	1	2	–	–	7	20	27
Impairment loss recognised in respect of investments in debt securities	–	–	–	–	–	–	34	34
Impairment loss recognised in respect of trade receivables	–	16	40	1	–	57	40	97
Impairment loss recognised in respect of loan receivables	–	–	–	–	–	–	131	131
Impairment loss recognised in respect of other receivables	–	–	–	–	–	–	11	11
Impairment loss recognised in respect of finance lease receivables	–	–	–	–	–	–	4	4
Release of prepaid lease payments on land use rights	2	4	1	1	41	49	1	50
Write-down of inventories	4	11	11	1	–	27	19	46

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2018

	TV products (PRC market) RMB million	TV products (overseas market) RMB million	Digital set-top boxes and LCD modules RMB million	White appliances RMB million	Property holding RMB million	Total reportable segments RMB million	Others RMB million	Total RMB million
Included in measure of segment results or segment assets:								
Amortisation of intangible assets	–	3	–	–	–	3	–	3
Capital expenditure on								
– Intangible assets	–	3	–	–	–	3	–	3
– Property, plant and equipment	851	4	97	113	59	1,124	272	1,396
– Prepaid lease payments on land use rights	–	–	–	31	1,780	1,811	–	1,811
Depreciation of property, plant and equipment	91	4	91	36	101	323	54	377
Loss (gain) on disposal of property, plant and equipment	3	(11)	–	–	–	(8)	8	–
Impairment loss recognised in respect of trade receivables	9	5	11	–	–	25	5	30
Impairment loss recognised in respect of loan receivables	–	–	–	–	–	–	36	36
Impairment loss recognised in respect of other receivables	–	–	–	–	–	–	7	7
Impairment loss recognised in respect of finance lease receivables	–	–	–	–	–	–	4	4
Release of prepaid lease payments on land use rights	3	5	1	1	64	74	5	79
Write-down of inventories	3	21	19	3	–	46	18	64

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in the PRC, Asia region (other than the PRC), America, Europe and other regions.

For segments other than property holding and property sales included in others segment, the Group's geographical analysis of revenue from external customers is determined based on the location of customers. For the property holding segment and property sales included in others segment, the Group's revenue from external customers is determined based on the location of assets. Information about its non-current assets by physical location of the assets are also detailed below.

	Revenue from external customers		**Non-current assets** *(Note 1)*	
	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million	**As at 31 December 2018 RMB million**	As at 31 March 2018 RMB million
PRC	**22,279**	25,831	**9,050**	8,998
Asia region (other than PRC) *(Note 2)*	**4,410**	6,796	**747**	564
America	**372**	1,956	**–**	–
Europe	**970**	1,596	**16**	13
Other regions	**2,161**	3,092	**30**	11
	30,192	39,271	**9,843**	9,586

Notes:

1. *Non-current assets excluded equity instruments at FVTPL, equity instruments at FVTOCI, available-for-sale investments, loan receivables and deferred tax assets.*

2. *Asia region (other than PRC) includes Vietnam, Indonesia, India, etc, which individually less than 10% of total revenue.*

7. OTHER INCOME

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Dividend income from unlisted investments	**1**	141
Government grants *(note 42)*		
– related to assets	**53**	91
– related to expense items	**166**	260
	219	351
Interest income from		
– available-for-sales investments	**–**	8
– bank deposits	**52**	50
– investments in debt securities	**1**	36
– loan receivables	**53**	70
	106	164
Repairs and maintenance income	**10**	55
Value-added-tax ("VAT") refund	**227**	315
Others	**65**	113
	628	1,139

8. OTHER GAINS AND LOSSES AND IMPAIRMENT LOSS RECOGNISED IN RESPECT OF FINANCIAL ASSETS

(a) Other gains and losses

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Other gains and losses comprise of:		
Exchange gain (loss), net	**67**	(246)
Gain from changes in fair value of derivative financial instruments *(note 38)*	**10**	3
Gain on disposal of a joint venture *(note 22)*	**1**	–
Gain on disposal of available-for-sale investments *(note 24)*	**–**	65
Loss from changes in fair value of equity instruments at FVTPL *(note 23)*	**(26)**	–
Loss on disposal of a subsidiary *(note 48)*	**(30)**	–
Loss on disposal of land use rights *(note 18)*	**(8)**	–
Loss on disposal of property, plant and equipment	**(27)**	–
	(13)	(178)

8. OTHER GAINS AND LOSSES AND IMPAIRMENT LOSS RECOGNISED IN RESPECT OF FINANCIAL ASSETS (Continued)

(b) Impairment loss recognised in respect of financial assets

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Impairment loss recognised in respect of financial assets comprise of:		
Impairment loss recognised in respect of finance lease receivables	**(4)**	(4)
Impairment loss recognised in respect of investments in debt securities	**(34)**	–
Impairment loss recognised in respect of loan receivables	**(131)**	(36)
Impairment loss recognised in respect of other receivables	**(11)**	(7)
Impairment loss recognised in respect of trade receivables	**(97)**	(30)
	(277)	(77)

9. FINANCE COSTS

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Interest on customer deposits from associates	**7**	10
Interest on corporate bonds	**83**	60
Interest on borrowings	**235**	242
Imputed interest expenses on other financial liabilities *(note 36(b))*	**10**	10
	335	322

10. INCOME TAX EXPENSE

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
PRC Enterprise Income Tax ("EIT")		
Current period/year	**232**	337
(Over)underprovision in prior years	**(8)**	11
	224	348
PRC withholding tax	**53**	–
Hong Kong Profits Tax		
Current period/year	**7**	8
Underprovision in prior years	**–**	2
	7	10
Taxation arising in other jurisdictions		
Current period/year	**2**	7
Land appreciation tax ("LAT")	**25**	–
Deferred taxation *(note 26)*	**(216)**	(93)
	95	272

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current period, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period/year. For those PRC subsidiaries approved as High and New Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Details of deferred taxation are set out in note 26.

10. INCOME TAX EXPENSE (Continued)

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the EIT Law of the PRC and Article 91 of the Implementation Rules of EIT Law of the PRC. RMB53 million (for the year ended 31 March 2018: nil) of the previously provided deferred tax had been reversed and charged as current tax upon distributions by the PRC subsidiaries during the nine months ended 31 December 2018.

According to Guoshuifa [2008] No. 116 "Notice of the State Administration of Taxation on Issuing the Administrative Measures for the Pre-tax Deduction of Enterprise Research and Development Expenses (for Trial Implementation)", Caishui [2013] No. 70 "Circular of the Ministry of Finance and the State Administration of Taxation issues related to super deductions for research and development expenses", certain PRC subsidiaries are also entitled to an additional 50% tax deduction on eligible research costs incurred by them during the year ended 31 March 2018. In August 2018, a new notice with the name of Caishui [2018] No. 99 "Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses" was released, according to which certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research costs incurred by them for the nine months ended 31 December 2018.

The income tax expense for the period/year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Profit before taxation	**648**	771
Tax at applicable tax rate at 25% *(Note)*	**162**	193
Tax effect of expenses not deductible for tax purpose	**46**	65
Tax effect of income not taxable for tax purpose	**(59)**	(142)
Tax effect of additional tax deduction of research costs	**(99)**	(61)
(Over) underprovision in prior years	**(8)**	13
Tax effect of tax losses not recognised	**124**	287
Utilisation of tax losses previously not recognised	**(64)**	(36)
Tax effect of share of results of associates	**(2)**	(3)
Tax effect of share of results of joint ventures	**–**	1
PRC withholding tax	**(19)**	45
PRC LAT	**25**	–
Tax effect of LAT	**(6)**	–
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and regions in the PRC other than Hong Kong	**1**	(4)
Income tax at concessionary rate	**(27)**	(65)
Others	**21**	(21)
Income tax expense for the period/year	**95**	272

Note: The applicable tax rate is with reference to the prevailing PRC tax rate of 25% under the EIT Law and Implementation Regulation of the EIT Law for the period/year.

11. PROFIT FOR THE PERIOD/YEAR

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Profit for the period/year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**2**	3
Auditors' remunerations	**6**	7
Cost of inventories recognised as an expense including write-down of inventories of RMB46 million (for the year ended 31 March 2018: RMB64 million)	**23,870**	32,615
Cost of stock of properties recognised as an expense	**568**	13
Depreciation of property, plant and equipment	**489**	594
Less: capitalised in cost of inventories	**(145)**	(217)
	344	377
Operating lease rentals in respect of land and buildings		
– included in selling and distribution expenses	**98**	121
– included in general and administrative expenses	**36**	59
	134	180
Release of prepaid lease payments on land use rights	**50**	79
Rental income from leasing of properties less related outgoings of RMB97 million (for the year ended 31 March 2018: RMB98 million)	**(175)**	(196)
Research costs recognised as an expense (including staff costs of RMB628 million (for the year ended 31 March 2018: RMB795 million))		
– included in general and administrative expense	**1,327**	1,490
Staff costs:		
– Directors' and chief executive's emoluments *(note 12)*	**38**	25
– Related staff costs for research activities	**628**	795
– Other staff salaries, bonus, retirement benefits and others	**2,026**	2,526
	2,692	3,346
Less: capitalised in cost of inventories	**(733)**	(1,088)
	1,959	2,258

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	Nine months ended 31 December 2018 RMB'000	Year ended 31 March 2018 RMB'000
Directors' fees	**2,899**	3,896
Other emoluments:		
Basic salaries and allowances	**9,712**	7,080
Performance related incentive payments *(Note)*	**12,734**	9,143
Retirement benefits scheme contributions	**135**	263
Share-based payments	**12,537**	4,945
	38,017	25,327

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the directors.

No directors waived any emoluments during the nine months ended 31 December 2018 and the year ended 31 March 2018.

The emoluments paid or payable to each of the directors and the chief executive of the Company are set out below:

	Directors' fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Performance related incentive payments RMB'000	Share-based payments RMB'000	Total RMB'000
For the nine months ended 31 December 2018						
Executive directors *(Note (i))*:						
Lai Weide	377	2,253	–	5,229	8,970	16,829
Lin Wei Ping	377	1,907	67	1,710	–	4,061
Lin Jin (appointed on 1 April 2018)	377	1,372	14	445	–	2,208
Liu Tangzhi *(Note (iii))*	377	2,259	12	4,276	3,567	10,491
Shi Chi	377	1,921	42	1,074	–	3,414
	1,885	9,712	135	12,734	12,537	37,003
Independent non-executive directors *(Note (ii))*:						
Cheong Ying Chew	338	–	–	–	–	338
Li Weibin	338	–	–	–	–	338
Li Ming	338	–	–	–	–	338
	1,014	–	–	–	–	1,014
Total directors' emoluments	2,899	9,712	135	12,734	12,537	38,017

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Directors' fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Performance related incentive payments RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 March 2018						
Executive directors *(Note (i))*:						
Lai Weide	526	1,997	119	1,692	386	4,720
Lin Wei Ping	526	1,783	76	211	–	2,596
Liu Tangzhi *(Note (iii))*	526	2,095	15	3,125	3,825	9,586
Shi Chi	526	1,205	53	4,115	–	5,899
	2,104	7,080	263	9,143	4,211	22,801
Non-executive director:						
Yang Dongwen (resigned with effect from 1 April 2018)	448	–	–	–	734	1,182
Independent non-executive directors *(Note (ii))*:						
Cheong Ying Chew	448	–	–	–	–	448
Li Weibin	448	–	–	–	–	448
Li Ming	448	–	–	–	–	448
	1,344	–	–	–	–	1,344
Total directors' emoluments	3,896	7,080	263	9,143	4,945	25,327

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the Group.

(ii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(iii) Liu Tangzhi is the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.

13. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the period included four (for the year ended 31 March 2018: four) existing directors, details of whose emoluments are set out in note 12 above. Details of the emoluments of the remaining highest paid employee who is neither an existing director nor chief executive of the Company are as follows:

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Basic salaries, allowances and benefits in kind	**2**	2
Performance related incentive payments *(Note)*	**1**	3
	3	5

Note: The performance related incentive payments are determined based on the results of the Group and/or the performance of the individual.

The number of the highest paid employee who is not the directors of the Company whose remuneration fell within the following bands is as follows:

	Nine months ended 31 December 2018 No. of employee	Year ended 31 March 2018 No. of employee
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the nine months ended 31 December 2018 and the year ended 31 March 2018.

14. DIVIDENDS

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Dividends recognised as distribution during the period/year:		
2018 Final – 9 HK cents (for the year ended 31 March 2018: 2017 final dividend 5 HK cents) per share	**241**	129

The final dividend of 6.0 HK cents per share, totalling approximately RMB157 million, for the nine months ended 31 December 2018 is proposed by the directors of the Company on 28 March 2019. Such final dividend will be distributed in cash. As the final dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 31 December 2018.

No interim dividend was paid or proposed during the nine months ended 31 December 2018 and the year ended 31 March 2018.

Share dividends alternatives were offered as follows:

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
2018 Final dividend (for the year ended 31 March 2018: 2017 Final dividend)		
Cash	**241**	70
Scrip dividends	**–**	59
	241	129

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Earnings		
Profit for the period/year attributable to owners of the Company for the purpose of basic earnings per share	**420**	459
Effect of dilutive potential ordinary shares arising from restricted share incentive scheme of Skyworth Digital Co., Ltd. ("Skyworth Digital"), an indirect non-wholly owned subsidiary of the Company established in PRC whose shares are listed on the Shenzhen Stock Exchange *(note 47(iii))*	**(67)**	(41)
Profit for the period/year attributable to owners of the Company for the purpose of diluted earnings per share	**353**	418

	Nine months ended 31 December 2018	Year ended 31 March 2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,032,208,819**	3,018,487,197
Effect of dilutive potential ordinary shares in respect of outstanding share options	**1,699,643**	2,763,050
Effect of dilutive potential ordinary shares in respect of outstanding share awards	**1,801,311**	6,586,027
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,035,709,773**	3,027,836,274

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share for the nine months ended 31 December 2018 and the year ended 31 March 2018.

The weighted average number of ordinary shares shown above has been arrived at after deducting shares held by share award scheme trust as set out in note 47(ii).

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB million	Construction in progress RMB million	Plant and machinery RMB million	Furniture, equipment and motor vehicles RMB million	Total RMB million
COST					
At 1 April 2017	4,073	1,053	1,986	915	8,027
Additions	75	766	251	304	1,396
Disposals	(19)	–	(85)	(39)	(143)
Reclassification	272	(272)	–	–	–
Exchange realignment	(3)	35	(32)	(14)	(14)
At 31 March 2018	4,398	1,582	2,120	1,166	9,266
Additions	60	325	255	220	860
Disposals	(106)	–	(55)	(60)	(221)
Disposal of a subsidiary	(33)	–	(69)	(9)	(111)
Reclassification	929	(929)	–	–	–
Exchange realignment	17	–	6	1	24
At 31 December 2018	5,265	978	2,257	1,318	9,818
DEPRECIATION					
At 1 April 2017	905	–	1,001	530	2,436
Provided for the year	271	–	177	146	594
Eliminated on disposals	(14)	–	(70)	(32)	(116)
Exchange realignment	10	–	–	(2)	8
At 31 March 2018	1,172	–	1,108	642	2,922
Provided for the period	202	–	152	135	489
Eliminated on disposals	(34)	–	(47)	(49)	(130)
Eliminated on disposal of a subsidiary	(6)	–	(37)	(6)	(49)
Exchange realignment	9	–	5	1	15
At 31 December 2018	1,343	–	1,181	723	3,247
CARRYING VALUES					
At 31 December 2018	3,922	978	1,076	595	6,571
At 31 March 2018	3,226	1,582	1,012	524	6,344

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the leases or 50 years
Plant and machinery	10% to 50%
Furniture, equipment and motor vehicles	20% to 50%

Included in leasehold land and buildings of the Group are certain properties with carrying value of approximately RMB1,208 million (31 March 2018: RMB496 million) held under operating leases to earn rentals during the period/year. These properties do not qualify as investment properties, as more than insignificant portions of the entire properties are held for use by the Group in the production or supply of goods or services or for administrative purposes and these portions could not be sold separately according to the premises permit.

The carrying values of leasehold land and buildings, and construction in progress shown above comprise:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Leasehold land and buildings:		
In the PRC	**1,395**	1,449
In Hong Kong	**17**	17
Overseas	**6**	6
	1,418	1,472
Buildings:		
In the PRC	**2,472**	1,664
Overseas	**32**	90
	2,504	1,754
	3,922	3,226
Construction in progress:		
In the PRC	**978**	1,582
	4,900	4,808

17. INVESTMENT PROPERTIES

	RMB million
COST	
At 1 April 2017, 31 March 2018 and 31 December 2018	5
DEPRECIATION	
At 1 April 2017, 31 March 2018 and 31 December 2018	1
CARRYING VALUES	
At 31 December 2018 and 31 March 2018	4

The above investment properties are depreciated on a straight-line basis over the shorter of the term of the lease or 50 years.

The investment properties shown above represent leasehold land and buildings in Hong Kong.

The fair value of the Group's investment properties at 31 December 2018 was approximately RMB38 million (31 March 2018: RMB33 million). The fair values at 31 December 2018 have been arrived at based on valuations carried out by ValQuest Advisory Group Limited (31 March 2018: Asset Appraisal Limited), independent valuers not connected with the Group.

At 31 December 2018 and 31 March 2018, the fair value was determined based on comparison method whereby comparison based on prices information of comparable properties is obtained. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values and was classified as Level 3 of the fair value hierarchy.

The major inputs used in the fair value measurement of the Company's investment properties as at 31 December 2018 and 31 March 2018 are set out below:

Valuation technique and key input	Unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
Valuation technique: Comparison method; Key input: Market unit rate	Market unit rate, taking into account the size, character and location, between the investment properties and the comparable, ranging from RMB7,766 per sq.ft. to RMB9,236 per sq.ft. (31 March 2018: RMB6,647 per sq.ft. to RMB7,150 per sq. ft.)	The higher the market unit rate, the higher the fair value	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 31 March 2018 are as follows:

	As at 31 December 2018		As at 31 March 2018	
	Carrying amount RMB million	**Level 3 fair value RMB million**	Carrying amount RMB million	Level 3 fair value RMB million
Completed investment properties located in Hong Kong	**4**	**38**	4	33

18. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	RMB million
At 1 April 2017	752
Additions *(Note)*	1,811
Released during the year	(79)
At 31 March 2018	2,484
Additions	63
Disposal	(54)
Disposal of a subsidiary *(note 48)*	(74)
Released during the period	(50)
Exchange realignment	12
At 31 December 2018	2,381

Note: During the year ended 31 March 2018, the land use rights certificate in respect of a land in PRC had been granted to the Group. Accordingly, the deposits previously paid amounting to RMB1,670 million in respect of acquisition of such land had been reclassified from "deposits paid for acquisition of land use rights" to "prepaid lease payments on land use rights".

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Analysed for reporting purposes as:		
Non-current assets	**2,331**	2,417
Current assets	**50**	67
	2,381	2,484

The Group's prepaid lease payments on land use rights represent the land situated in the PRC and Indonesia of RMB2,308 million (31 March 2018: RMB2,461 million) and RMB73 million (31 March 2018: RMB23 million) respectively.

During the nine months ended 31 December 2018, the Group has disposed part of the prepaid lease payment on land use rights in Indonesia and recognised a loss on disposal of land use rights of RMB8 million (for the year ended 31 March 2018: nil).

19. GOODWILL

	RMB million
At 1 April 2017	426
Exchange realignment	(4)
At 31 March 2018	422
Disposal of a subsidiary *(note 48)*	(39)
Exchange realignment	1
At 31 December 2018	384

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Arising from:		
– acquisition of Skyworth Digital *(Note (a))*	**286**	286
– acquisition of Strong Media Group Limited *(Note (b))*	**84**	83
– acquisition of Caldero Limited *(Note (c))*	**14**	14
– acquisition of 遂寧錦華紡織有限公司 ("Suining")	**–**	39
	384	422

Notes:

For the purposes of impairment testing, goodwill have been allocated to individual CGUs.

During the nine months ended 31 December 2018, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

(a) For the goodwill arising from acquisition of Skyworth Digital for the operation of digital set-top boxes business during the year ended 31 March 2015 with the carrying amount of RMB286 million (31 March 2018: RMB286 million), the recoverable amount of the CGU has been determined by a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12.1% (31 March 2018: 12.1%). Cash flows beyond the five-year period are extrapolated with a 3.0% (31 March 2018: 3.0%) growth rate. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed the aggregate recoverable amount of goodwill.

19. GOODWILL (Continued)

Notes: (Continued)

(b) For the goodwill arising from acquisition of Strong Media Group Limited ("Strong Media") during the year ended 31 March 2016 with the carrying amount of RMB84 million (31 March 2018: RMB83 million), the recoverable amount of the CGU has been determined by a value-in-use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 15.50% (31 March 2018: 13.50%). Cash flows beyond the five-year period are extrapolated with zero growth. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed the aggregate recoverable amount of goodwill.

(c) For the goodwill arising from acquisition of Caldero Limited during the year ended 31 March 2017 and with the carrying amount of RMB14 million (31 March 2018: RMB14 million), the recoverable amount of the CGU has been determined on the basis of value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 13.60% (31 March 2018: 11.00%). Cash flows beyond the five-year period are extrapolated with zero growth. Expected cash inflows/outflows, which include budgeted sales and gross margin have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the goodwill to exceed the aggregate recoverable amount of goodwill.

20. INTANGIBLE ASSETS

	Patent RMB million *(Note (a))*	**Trademarks** RMB million *(Note (b))*	**Total** RMB million
COST			
At 1 April 2017	9	97	106
Additions	3	–	3
Exchange realignment	–	(9)	(9)
At 31 March 2018 and 31 December 2018	12	88	100
AMORTISATION			
At 1 April 2017	3	–	3
Charge for the year	3	–	3
At 31 March 2018	6	–	6
Charge for the period	2	–	2
At 31 December 2018	8	–	8
CARRYING VALUES			
At 31 December 2018	4	88	92
At 31 March 2018	6	88	94

20. INTANGIBLE ASSETS (Continued)

Notes:

(a) *The patent have finite useful lives and are amortised at 10% to 20% on a straight-line basis.*

(b) *The above trademarks were purchased as part of a business combination during year ended 31 March 2016.*

The trademarks have a legal life ranging from 10 to 21 years but are renewable every upon expiration at minimal cost. The directors of the Company are of the opinion that the Group has the intention and ability to renew the trademarks continuously. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

During the nine months ended 31 December 2018 and the year ended 31 March 2018, the directors of the Company determines that there is no impairment indication on the trademarks with indefinite useful lives.

The recoverable amounts of the trademarks with indefinite useful lives has been determined on the basis of value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 15.50% (31 March 2018: 13.50%). Cash flows beyond the five-year period are extrapolated with no growth. Cash flow projections during the budget period are based on the most recent financial budget that cover a five-year period approved by the management. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of trademarks to exceed the aggregate recoverable amount of trademarks.

21. INTERESTS IN ASSOCIATES

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Cost of unlisted investments	**64**	57
Share of post-acquisition profits and other comprehensive income, net of dividends received	**15**	11
	79	68

The following set out the particulars of the associates of the Group as at 31 December 2018 and 31 March 2018 which, in the opinion of the directors, principally affected the results or net assets of the Group.

Name of associates	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group As at 31 December 2018	As at 31 March 2018	Principal business
江蘇達創電器有限公司	Equity joint venture	PRC	RMB10,000,000	**34%**	34%	Manufacturing and sales of consumer electronic products
北京新七天電子商務技術股份有限公司	Equity joint venture	PRC	RMB37,000,000	**49%**	49%	Providing technological and network promotion services and sales of consumer electronic products

All of these associates are accounted for using the equity method in these consolidated financial statements.

Aggregate information of associates that are not individually material

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
The Group's share of profit and total comprehensive income for the period/year	**9**	10

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Aggregate carrying amount of the Group's interests in these associates	**79**	68

22. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Cost of unlisted investments	**67**	71
Share of post-acquisition losses and other comprehensive expense, net of dividends received	**(45)**	(32)
	22	39

The following set out the particulars of the joint ventures of the Group as at 31 December 2018 and 31 March 2018 which, in the opinion of the directors, principally affected the results or net assets of the Group.

Name of joint ventures	Form of business structure	Place of registration and operation	Paid up registered capital	Effective interest held by the Group		Principal business
				As at 31 December 2018	As at 31 March 2018	
廣州喜馬拉雅營銷顧問有限公司	Equity joint venture	PRC	RMB6,000,000	**–**	50%	Providing marketing strategy and advertising services
廣州新視界光電科技有限公司	Equity joint venture	PRC	RMB33,583,664	**36%**	36%	Providing research and development, lease and consultation service of mechanical and electronics products
廣東創華投資有限公司	Equity joint venture	PRC	RMB25,000,000	**40%**	40%	Providing investment consultation services
江蘇國安創維信息產業有限責任公司	Equity joint venture	PRC	RMB50,000,000	**45%**	45%	Providing IT professional and engineering services

The joint ventures are accounted for using the equity method in these consolidated financial statements.

22. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
The Group's share of loss and total comprehensive expense for the period/year	–	(1)

During the nine months ended 31 December 2018, the Group has disposed a joint venture and recognised a gain on disposal of a joint venture of RMB1 million (for the year ended 31 March 2018: nil).

23. EQUITY INSTRUMENTS AT FVTPL/EQUITY INSTRUMENTS AT FVTOCI

	As at 31 December 2018 RMB million	As at 1 April 2018* RMB million
Equity instruments at FVTPL comprise of:		
Unlisted equity securities, at fair values		
– in the PRC	**390**	296
Listed equity securities, at fair values		
– in Hong Kong	**55**	35
– in the PRC	**18**	36
	73	71
	463	367

	As at 31 December 2018 RMB million	As at 1 April 2018* RMB million
Equity instruments at FVTOCI comprise of:		
Unlisted equity securities, at fair values		
– in the PRC *(Note)*	**1,494**	3,257

* *The amounts in this column are after adjustments from the application of HKFRS 9.*

23. EQUITY INSTRUMENTS AT FVTPL/EQUITY INSTRUMENTS AT FVTOCI (Continued)

Note: The above unlisted equity investments represent the Group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

During the nine months ended 31 December 2018, the Group has recognised loss from changes in fair value of equity instruments at FVTPL and equity instruments at FVTOCI of RMB26 million (for the year ended 31 March 2018: nil) and RMB1,763 million (for the year ended 31 March 2018: nil), respectively

24. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 March 2018 RMB million
Unlisted equity securities, at cost	
– in Hong Kong	1
– in the PRC	1,128
– in overseas	22
Less: Impairment loss recognised	(64)
	1,087
Listed equity securities, at fair value	
– in Hong Kong	34
– in the PRC	28
	62
Unlisted investment funds, at fair values	
– in the PRC	88
	1,237
Analysed for reporting purposes as:	
Non-current assets	1,155
Current assets	82
	1,237

As mentioned in note 2, on 1 April 2018, the available-for-sale investments has been reclassified to equity instruments at FVTPL and equity instruments at FVTOCI in accordance with HKFRS 9.

The unlisted equity securities as at 31 March 2018 were stated at cost less any impairment loss because the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair values cannot be measured reliably.

24. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

During the year ended 31 March 2018, the Group disposed of a listed equity security with carrying amount of RMB8 million, certain unlisted equity securities with carrying amount of RMB39 million and certain unlisted investment funds with carrying amount of RMB923 million. A gain on disposal in respect of available-for-sale investments at fair values and available-for-sale investments at cost of RMB14 million and RMB51 million, respectively, had been recognised in profit or loss for the year ended 31 March 2018.

As at 31 March 2018, the directors conducted a review of the recoverable amounts of the Group's unlisted available-for-sale investments measured at cost less impairment and determined no impairment was required to be made in respect of these available-for-sale investments.

25. LOAN RECEIVABLES

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Fixed-rate loan receivables		
Secured	**2,048**	1,917
Unsecured	**723**	758
	2,771	2,675
Analysed for reporting purpose as		
Non-current assets	**41**	2
Current assets	**2,730**	2,673
	2,771	2,675

Included in the carrying amount of loan receivables as at 31 December 2018 is allowance for credit losses of RMB275 million (31 March 2018: allowance for doubtful loan receivables of RMB98 million). Details of the impairment assessment for the nine months ended 31 December 2018 are set out in note 53(b).

Included in the loan receivables as at 31 December 2018 amounted to RMB688 million (net of allowance for credit losses of RMB112 million) (31 March 2018: RMB700 million (net of allowance for doubtful loan receivables of nil)) is loan advanced to a company for which the Group has 20% equity interests. The directors of the Company considered that the Group does not have significant influence over that investee company because the Group does not have the power to participate in the financial and operating policy decision of that investee company, accordingly, such investment is classified as "equity instruments at FVTOCI".

As at 31 December 2018, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB352 million which has been past due 90 days or more as at the reporting date. The directors of the Company considers credit risks have increased significantly and those with evidence indicating that the debtor is in severe financial difficulties are considered as credit impaired.

Included in the Group's loan receivables balance with aggregate carrying amount of RMB1,691 million (31 March 2018: RMB634 million) are secured by borrowers' charge over equity instruments, trade receivables, properties, land use right and plant and machineries.

25. LOAN RECEIVABLES (Continued)

The following is the ageing of loan receivables which were past due but not impaired:

	As at 31 March 2018 RMB million
Overdue:	
Within 30 days	6
91 days or over	191
	197

Movements in the allowance for doubtful loan receivables during the year ended 31 March 2018 was as follows:

	RMB million
At 1 April 2017	62
Impairment loss recognised in respect of loan receivables	36
At 31 March 2018	98

As at 31 March 2018, included in the carrying amount of loan receivables was an amount of RMB499.5 million due from a related party controlled by a substantial shareholder of the Company which was secured, interest bearing at 8% per annum and fully repaid during the period.

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Fixed-rate loan receivables:		
Within one year	**2,730**	2,673
In more than one year but not more than two years	**27**	2
In more than two years but not more than five years	**14**	–
	2,771	2,675

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Effective interest rate:		
Fixed-rate loan receivables	**4.50% – 12.00%**	4.85% – 10.00%

26. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation RMB million	Accrued sales rebate RMB million	Allowance for credit losses RMB million	Allowance on inventories RMB million	Undistributed earnings of PRC subsidiaries RMB million *(Note (b))*	Fair value adjustments on equity instruments at FVTPL and equity instruments at FVTOCI RMB million	Fair value adjustment in business combination RMB million	Others RMB million *(Note (c))*	Total RMB million
At 1 April 2017	(7)	(85)	–	(47)	56	14	40	(103)	(132)
(Credit) charge to profit or loss	(1)	(47)	–	(15)	45	(13)	–	(62)	(93)
Charge to other comprehensive income	–	–	–	–	–	4	–	–	4
Exchange realignment	1	–	–	–	(8)	–	(4)	(12)	(23)
At 31 March 2018	(7)	(132)	–	(62)	93	5	36	(177)	(244)
Adjustment *(note 2)*	–	–	(28)	–	–	372	–	–	344
At 1 April 2018 (restated)	(7)	(132)	(28)	(62)	93	377	36	(177)	100
Charge (credit) to profit or loss	4	(105)	(65)	(7)	(72)	7	–	22	(216)
Credit to other comprehensive income	–	–	–	–	–	(264)	–	–	(264)
Exchange realignment	–	–	–	–	–	–	–	3	3
At 31 December 2018	(3)	(237)	(93)	(69)	21	120	36	(152)	(377)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Deferred tax assets	**(555)**	(398)
Deferred tax liabilities	**178**	154
	(377)	(244)

26. DEFERRED TAXATION (Continued)

Notes:

(a) At the end of the reporting period, the Group has unutilised tax losses of RMB2,152 million (31 March 2018: RMB2,045 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses of RMB2,152 million (31 March 2018: RMB2,045 million) due to the unpredictability of future profit streams.

Unutilised tax losses for which no deferred tax assets is recognised will expire as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
2019	**142**	40
2020	**172**	172
2021	**302**	187
2022	**537**	399
2023	**301**	647
Carried forward indefinitely	**698**	600
	2,152	2,045

(b) Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation of RMB224 million (31 March 2018: RMB367 million) has not been provided for in the consolidated financial statements in respect of temporary differences attributable to certain accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(c) Amounts mainly include deductible temporary difference from the unrealised profit arising from intragroup transactions, and deductible temporary difference arising from government grants not yet recognised in profit or loss whilst the relevant tax charge had already been paid upon receipt of the government grants.

27. INVENTORIES

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Raw materials	**1,820**	1,742
Work in progress	**328**	310
Finished goods	**3,883**	3,150
	6,031	5,202

28. STOCK OF PROPERTIES

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Stock of properties:		
Under development	**796**	965
Completed	**70**	160
	866	1,125

Included in the stock of properties under development are amounts of RMB99 million (31 March 2018: RMB551 million) which are not expected to be substantially realised within one year from the end of the reporting period. Sales deposits of RMB290 million received from purchasers at the end of the reporting period are included in contract liabilities as disclosed in note 39 (31 March 2018: RMB923 million included in trade and other payables as disclosed in note 36(a)).

29. INVESTMENTS IN DEBT SECURITIES

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Debt securities		
– in the PRC	**158**	91

29. INVESTMENTS IN DEBT SECURITIES (Continued)

The Group's investments in debt securities represent debt securities that carry fixed interest at 4.55% to 9.00% per annum (31 March 2018: 5.00% to 12.00% per annum). None of these assets has been past due or impaired at the end of the reporting period. The maturity profile of the above debt securities categorised by the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Remaining maturity:		
Less than three months	**8**	91
Three months to one year	**150**	–
	158	91

Details of impairment assessment for the nine months ended 31 December 2018 are set out in note 53(b).

30. FINANCIAL ASSETS AT FVTPL/HELD-FOR-TRADING INVESTMENTS

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Unlisted securities, at fair value:		
– Investment fund	**37**	32

As mentioned in note 2, on 1 April 2018, held-for-trading investments has been reclassified to financial assets at FVTPL in accordance with HKFRS 9.

31. TRADE RECEIVABLES

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Trade receivables		
– goods and services	**9,719**	7,146
– lease receivables	**52**	31
	9,771	7,177
Less: allowance for credit losses/doubtful debts	**(297)**	(174)
	9,474	7,003
Bills receivables	**6,942**	5,414
	16,416	12,417

As at 31 December 2018 and 1 April 2018, trade receivables from contracts with customers amounted to RMB9,719 million and RMB7,146 million, respectively.

The following is an aged analysis of trade receivables, net of allowance for credit losses/doubtful debts, presented based on the invoice date at the end of the reporting period:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Within 30 days	**4,610**	2,526
31 to 60 days	**1,795**	1,223
61 to 90 days	**824**	852
91 to 365 days	**1,707**	2,026
Over 365 days	**538**	376
Trade receivables	**9,474**	7,003
Bills receivables	**6,942**	5,414
	16,416	12,417

31. TRADE RECEIVABLES (Continued)

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,938 million which are past due as at the reporting date. Out of the past due balances, RMB951 million has been past due 90 days or more and is not considered as in default based on historical experience. Other than bills received, the Group does not hold any collateral over these balances.

As at 31 March 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB1,485 million which were past due at the end of the reporting period for which the Group had not provided for impairment loss. The trade receivables that were past due but not impaired were related to amounts due from certain independent retailers and television stations in the PRC that have a good repayment history. Based on past experience, the management of the Group was of the opinion that no further provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances. Trade receivables which were neither past due nor impaired were considered recoverable as the balances related to a number of independent customers that had a good track record with the Group.

The following is the ageing of trade receivables which were past due but not impaired:

	As at 31 March 2018 RMB million
Within 30 days	524
31 to 60 days	261
61 to 90 days	161
91 days or over	539
	1,485

As at 31 March 2018, included in the allowance for doubtful debts were individually impaired trade receivables with aggregate balance of RMB174 million in which there was objective evidence that the recoverability of the amounts became doubtful. The Group did not hold any collateral over these balances.

Movements in the allowance for doubtful debts during the year ended 31 March 2018 was as follows:

	RMB million
At 1 April 2017	151
Impairment loss recognised in respect of trade receivables	30
Amounts uncollectible written off	(5)
Exchange realignment	(2)
At 31 March 2018	174

31. TRADE RECEIVABLES (Continued)

For customers who used bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was presented based on the date of issuance of the bills. The date of issuance of all bills receivables are within six months at the end of the reporting period.

The maturity dates of bills receivables at the end of the reporting period are analysed as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Within 30 days	**916**	764
31 to 60 days	**817**	1,027
61 to 90 days	**1,434**	1,626
91 days or over	**3,275**	1,537
Bills discounted to banks with recourse	**500**	460
	6,942	5,414

The carrying values of the above bills discounted to banks with recourse continue to be recognised as assets in the consolidated financial statements as the Group has not transferred substantially the risks and rewards of ownership of the bills receivables taking into account the credit rating of the issuers of the bills. Accordingly, the liabilities associated with such bills, mainly borrowings as disclosed in note 41, are recognised in the consolidated financial statements as well.

The maturity dates of bills discounted to banks with recourse are within six months at the end of the reporting period.

All bills receivables at the end of the reporting period are not yet due.

At 31 December 2018, other than bills discounted as disclosed above, carrying amount of trade receivables amounted to RMB25 million (31 March 2018: RMB26 million) have been pledged as security for the Group's borrowings.

Details of impairment assessment of trade receivables for the nine months ended 31 December 2018 are set out in note 53(b).

32. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments are analysed as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Other deposits paid and prepayments	**222**	457
Other receivables	**827**	658
Purchase deposits paid for materials	**983**	316
Rental deposits paid	**5**	13
VAT receivables	**508**	480
	2,545	1,924

Details of impairment assessment of other receivables for the nine months ended 31 December 2018 are set out in note 53(b).

33. FINANCE LEASE RECEIVABLES

As at 31 December 2018, the Group entered finance lease contacts with principal amount of approximately RMB128 million (31 March 2018: RMB141 million) to lease out certain plant and machinery of the Group. All interest rate inherent in the lease are fixed at the contract date over the lease terms.

	Minimum lease payments		**Present value of minimum lease payments**	
	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million	**As at 31 December 2018 RMB million**	As at 31 March 2018 RMB million
Finance lease receivables comprise:				
Within one year	**128**	141	**128**	139
Less: unearned finance income	**–**	(2)	**N/A**	N/A
Present value of minimum lease payment receivables	**128**	139*	**128**	139*

* *The Group has initially applied HKFRS 9 at 1 April 2018 with additional impairment of RMB1 million recognised against accumulated profits. Under the transition method chosen, comparative information is not restated.*

Effective interest rate of the above finance lease is 9.02% (31 March 2018: 9.19%) per annum.

33. FINANCE LEASE RECEIVABLES (Continued)

Included in the carrying amount of finance lease receivables as at 31 December 2018 is accumulated impairment loss of RMB9 million (31 March 2018: RMB4 million).

Included in the carrying amount of finance lease receivables as at 31 March 2018 is an amount of RMB0.5 million due from a related party controlled by a substantial shareholder of the Company which is secured, interest bearing at 8% per annum and fully repaid during the current period.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee.

Details of impairment assessment for the nine months ended 31 December 2018 are set out in note 53(b).

34. AMOUNTS DUE FROM/TO ASSOCIATES AND A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts due from associates as at 31 March 2018 were unsecured, interest-free and fully settled during the current period.

The amounts due to associates as at 31 March 2018 were trade balances which are unsecured, interest-free and fully repaid during the current period.

The following is an aged analysis of the trade payables with associates presented based on the invoice date at the end of the reporting period:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Within 30 days	–	23

The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

35. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS, AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at variable market rates ranging from 0.01% to 2.75% per annum (31 March 2018: 0.01% to 2.75% per annum).

Pledged bank deposits are pledged to secure the short term bank borrowings, which carry interest at market rates ranging from 0.35% to 2.75% per annum (31 March 2018: 0.35% to 2.75% per annum).

Restricted bank deposits represent reserve deposits a finance company of the Group placed with the People's Bank of China (the "PBOC"). The balances of the reserve deposits were calculated at certain percentage of qualified deposits made from customers to the finance company of the Group as determined by the PBOC against unexpected events such as unusually large net withdrawal by customers. These reserve deposits are required by local regulation and not available for the Group's daily operations.

Details of impairment assessment for the nine months ended 31 December 2018 are set out in note 53(b).

36. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES

(a) *Trade and other payables*

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period, and other payables:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Within 30 days	**4,237**	2,493
31 to 60 days	**1,343**	1,166
61 to 90 days	**656**	828
91 days or over	**399**	183
Trade payables	**6,635**	4,670
Accruals and other payables	**1,125**	845
Accrued staff costs	**592**	562
Accrued selling and distribution expenses	**151**	110
Amounts received for restricted share incentive scheme of a subsidiary *(note 47(iii))*	**168**	204
Customer deposits *(Note (1))*	**25**	231
Deposits received for sales of goods *(Note (2))*	**–**	748
Deposits received for sales of properties *(Note (2))*	**–**	923
Interest payables on corporate bonds	**36**	60
Membership fee received	**–**	41
Other deposits received	**545**	622
Payables for purchase of property, plant and equipment	**59**	46
Refund liabilities *(Note (3))*	**999**	–
Rental deposits received	**66**	47
Sales rebate payable	**–**	877
VAT payable	**55**	66
	10,456	10,052

Notes:

1. *The customer deposits bear interest at 0.35% per annum (31 March 2018: 0.35% per annum) which are repayable on demand.*

   As at 31 December 2018, RMB10 million (31 March 2018: RMB199 million) of the customer deposits is placed by the associate, 北京新七天電子商務技術股份有限公司 ("New Seven Days"), which bear interest at 0.35% per annum (31 March 2018: 0.35% per annum) and is repayable on demand.

2. *As at 31 December 2018, deposits received for sales of goods and deposits received for sales of properties of RMB1,153 million and RMB290 million respectively are included in contract liabilities upon the application of HKFRS 15.*

3. *The refund liabilities are arisen from outstanding rebates in relation to the goods sold to certain customers.*

36. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES (Continued)

(b) Other financial liabilities

Movements in other financial liabilities is as follows:

	RMB million
At 1 April 2017	203
Arising on disposal of partial interest in a subsidiary	50
Imputed interest expense for the year	10
Release of other financial liabilities to non-controlling interests	(100)
At 31 March 2018	163
Imputed interest expense for the period	10
At 31 December 2018	173

During the year ended 31 March 2017, Shenzhen Chuangwei-RGB Electronics Co., Ltd. ("RGB"), an indirect-wholly owned subsidiary of the Company, entered into an agreement with 北京愛奇藝科技有限公司 ("iQIYI"), a third party not connected to the Group, for a RMB150 million capital injection. Pursuant to the agreement, Shenzhen Coocaa, an indirect non-wholly owned subsidiary of the Company, received the first capital injection of RMB100 million from iQIYI on 2 December 2016. During the year ended 31 March 2018, Shenzhen Coocaa received the second capital injection of RMB50 million from iQIYI.

Based on the terms of the agreement, RGB and iQIYI agreed that if the shares of Shenzhen Coocaa are not listed on any stock exchange within 60 months after 2 December 2016, and the market value of Shenzhen Coocaa is less than RMB3 billion before listing, iQIYI can require RGB to transfer its investments in Shenzhen Coocaa to equivalent value of investments in Skyworth Digital, or require RGB to buy back its investments in Shenzhen Coocaa at the original consideration paid plus interest of 8% per annum at the end of 60 months. As the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfil the contractual obligations, the capital injection received is recognised as a financial liability. Imputed interest expenses of RMB10 million (for the year ended 31 March 2018: RMB10 million) has been recognised in respect of this financial liability during the nine months ended 31 December 2018.

During the year ended 31 March 2017, RGB entered into another agreement with a third party not connected to the Group ("Investor"). Pursuant to the agreement, Shenzhen Coocaa received capital injection of RMB100 million from Investor on 23 January 2017.

36. TRADE AND OTHER PAYABLES, AND OTHER FINANCIAL LIABILITIES (Continued)

(b) Other financial liabilities (Continued)

Based on the terms of the agreement, RGB and Investor agreed that if Shenzhen Coocaa cannot meet the sales target as stated in the cooperation agreement signed between Shenzhen Coocaa and an affiliate of Investor on 13 January 2017 ("FY2017 Cooperation Agreement"), Investor can require RGB to buy back its investments in Shenzhen Coocaa at the original consideration paid plus interest of 8% per annum. As the Group cannot unconditionally avoid the delivery of cash to fulfil the contractual obligations, the capital injection received is recognised as a financial liability as at 31 March 2017. No imputed interest expenses have been recognised in respect of this financial liability during the nine months ended 31 December 2018 and the year ended 31 March 2018.

During the year ended 31 March 2018, Shenzhen Coocaa received another capital injection of RMB200 million from Investor and signed another cooperation agreement with the same affiliate of the same Investor on 4 May 2017 ("FY2018 Cooperation Agreement") to revoke the FY2017 Cooperation Agreement and removed the terms on sales target as stated in the FY2017 Cooperation Agreement. The management is of the view that all the terms specified in the FY2018 Cooperation Agreement are under the Group's control and the Group can avoid the obligation to deliver cash or other financial instrument. Thereafter, the Group recognised a disposal of partial interest in Shenzhen Coocaa for the consideration of RMB200 million and the financial liabilities of RMB100 million to the Investor was released to non-controlling interests.

37. BILLS PAYABLES

The maturity dates of bills payables at the end of the reporting period are analysed as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Within 30 days	**979**	920
31 to 60 days	**885**	1,063
61 to 90 days	**864**	1,180
91 days or over	**3,454**	2,285
	6,182	5,448

All bills payables at the end of the reporting period are not yet due.

38. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Derivative financial instruments are analysed as:		
Interest rate swap contracts *(Note (a))*	**–**	2
Foreign currency forward contracts *(Note (b))*	**3**	–
	3	2

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Gain from changes in fair value of derivative financial instruments:		
Interest rate swap contracts *(Note (a))*	**2**	3
Foreign currency forward contracts *(Note (b))*	**8**	–
	10	3

Notes:

(a) Interest rate swap contracts

During the year ended 31 March 2017, the Group entered into interest rate swap contracts with banks, of which the purpose is to manage the Group's cash flow interest rate risk in relation to the floating interest rates in relation to its bank borrowings denominated in Euro ("EUR").

The interest rate swap contracts with notional amount ranging from EUR80 million to EUR180 million has fixed interest payments in EUR ranging from 2.29% to 2.35% per annum and floating interest receipts in EUR ranging from 2.3% to 2.5% plus 1-month Euro Interbank Offered Rate ("EURIBOR") per annum for periods up to August and December 2018.

As at 31 March 2018, the fair value of Group's interest rate swap contract was estimated to be a liability of RMB2 million. The amount was determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments. During the nine months ended 31 December 2018, a gain arising from changes in fair value of the interest rate swap contract of RMB2 million (for the year ended 31 March 2018: RMB3 million) has been recognised in profit or loss.

38. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes: (Continued)

(b) Foreign currency forward contracts

During the nine months ended 31 December 2018, the Group entered into foreign currency forward contracts with an established commercial bank in PRC to purchase US$ in South African Rand at predetermined forward rates.

Aggregate principal amount	*Maturity*	*Forward exchange rate (net settlement)*
As at 31 December 2018		
US$19 million	*From 7 January 2019 to 10 December 2019*	*Buy US$/sell ZAR at 12.543 to 15.013*

As at 31 December 2018, the fair value of the Group's foreign currency forward contracts was estimated to be a liability of RMB3 million. These amounts were determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments. During the nine months ended 31 December 2018, a gain arising from changes in fair value of the foreign currency forward contracts of RMB8 million (for the year ended 31 March 2018: nil) had been recognised in profit or loss.

39. CONTRACT LIABILITIES

	As at 31 December 2018 RMB million	As at 1 April 2018* RMB million
Deposits received for sales of goods	**1,153**	748
Deposits received for sales of properties	**290**	923
	1,443	1,671

* *The amounts in this column are after the adjustments from the application of HKFRS 15.*

Movements in contract liabilities:

	RMB million
At 1 April 2018	1,671
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period	(1,485)
Increase in contract liabilities as a result of receiving deposits from the customers	1,257
At 31 December 2018	1,443

40. PROVISION FOR WARRANTY

	RMB million
At 1 April 2017	211
Additional provision	246
Utilised	(253)
At 31 March 2018	204
Additional provision	140
Utilised	(121)
At 31 December 2018	223

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Analysed for reporting purposes as:		
Current liabilities	**143**	138
Non-current liabilities	**80**	66
	223	204

The Group provides one to five years product warranty to its customers depending on the product type, under which faulty products are repaired or replaced. The estimate of the provision for the warranty is based on sales volumes and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and revised by reference to the current defective rate of products sold.

41. BORROWINGS

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Borrowings comprise the following:		
Financial liabilities on bills discounted with recourse	**500**	460
Other bank borrowings	**5,824**	7,016
	6,324	7,476
Secured	**829**	1,360
Unsecured	**5,495**	6,116
	6,324	7,476
Carrying amount of borrowings that contain a repayment on demand clause (shown under current liabilities) but are repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**299**	314
More than one year but not exceeding two years	**–**	192
	299	506
Carrying amount of other borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**5,291**	5,659
More than one year but not more than two years	**–**	611
More than two years but not exceeding five years	**732**	698
Over five years	**2**	2
	6,025	6,970
	6,324	7,476
Less: Amounts due within one year shown under current liabilities	**(5,590)**	(6,165)
Amounts shown under non-current liabilities	**734**	1,311

Included in the balance as at 31 December 2018 are fixed-rate borrowings of RMB1,882 million (31 March 2018: RMB1,250 million) which carry interest at rates ranging from 0.50% to 10.00% per annum (31 March 2018: 0.50% to 8.75% per annum).

All other borrowings are carried interest at variable market interest rates, which are based on EURIBOR, London Interbank Offered Rate ("LIBOR") or People's Bank of China ("PBOC") lending rate plus a specific margin, ranging from 1.58% to 5.23% per annum (31 March 2018: 1.22% to 5.23% per annum).

As at the end of the reporting period, the Group had foreign currencies denominated borrowings of US$232 million (equivalent to approximately RMB1,590 million) (31 March 2018: US$182 million (equivalent to approximately RMB1,148 million)), EUR33 million (equivalent to approximately RMB257 million) (31 March 2018: EUR269 million (equivalent to approximately RMB2,089 million)) and HK$568 million (equivalent to approximately RMB498 million) (31 March 2018: HK$205 million (equivalent to approximately RMB164 million)). All other borrowings are denominated in the respective functional currencies of the group entities.

42. DEFERRED INCOME

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Deferred income	**666**	894
Less: Amount to be recognised as income within one year included in current liabilities	**(144)**	(250)
Amount to be recognised as income after one year	**522**	644

Deferred income consists of government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of plant and machinery and the related expenses to be incurred for the development of new products or technology and relates to certain current assets. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets upon completing inspection by the related government authorities. The policy has resulted in a credit to profit or loss of RMB219 million (for the year ended 31 March 2018: RMB351 million) during the nine months ended 31 December 2018.

43. CORPORATE BONDS

	RMB million
At 1 April 2017	–
Corporate bonds issued, net of transaction costs	1,990
Interest on corporate bonds	60
Interest paid	–
Increase in interest payables on corporate bonds	(60)
At 31 March 2018	1,990
Interest on corporate bonds	83
Interest paid	(107)
Decrease in interest payables on corporate bonds	24
At 31 December 2018	1,990

On 15 September 2017, the Company issued secured corporate bonds with principal value of RMB2,000 million. The corporate bonds bear interest at 5.36% per annum and fall due on 14 September 2022. Pursuant to the terms of the subscription agreement of the corporate bond, the Group has the right to adjust the coupon rate and the bond holders have the right to put the bond back to the Group after 14 September 2020. The management considers the fair value of these options are insignificant.

The corporate bonds are subsequently measured at amortised cost, using effective interest rate of 5.48% (31 March 2018: 5.48%). As at 31 December 2018, the carrying amount of the corporate bonds was approximately RMB1,990 million (31 March 2018: RMB1,990 million).

44. SHARE CAPITAL

	Number of shares	Share capital RMB million
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 31 December 2018	10,000,000,000	1,063
Issued and fully paid:		
At 1 April 2017	3,042,157,405	307
Issue of shares upon exercise of share options	584,000	–
Issue of shares under scrip dividend scheme	18,188,015	1
At 31 March 2018 and 31 December 2018	3,060,929,420	308

The new shares rank pari passu with the then existing shares in all respects.

Details of the exercise of share options during the nine months ended 31 December 2018 and the year ended 31 March 2018 are set out in note 46.

45. TRANSFERRED FINANCIAL ASSETS

The following were the Group's bills receivables, that were transferred to banks by discounting those receivables on a full recourse basis. For certain bills receivables that were discounted to banks on a full recourse basis but the substantial risks and rewards of the ownership of the bills receivables have not been transferred taking into account the credit quality of the issuing counterparties, the Group continues to recognise the full carrying amount of those receivables and has recognised the associated liabilities as borrowings as disclosed in note 41.

These bills receivables and associated liabilities are carried at amortised cost in the Group's consolidated statement of financial position. The directors consider that the carrying amounts of such bills receivables and associated liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

	As at 31 December 2018 Bills discounted to banks with recourse RMB million	As at 31 March 2018 Bills discounted to banks with recourse RMB million
Carrying amount of transferred assets	**500**	460
Carrying amount of associated liabilities	**(500)**	(460)
Net position	**–**	–

All the bills receivables discounted to banks have maturity dates of less than six months from the end of the respective reporting period.

No gain or loss was recognised at the date of transfer of the assets.

46. SHARE OPTIONS

The Company adopted certain share option schemes mainly for the purpose of providing incentives to directors, eligible employees and selected eligible persons. Particulars of the share option schemes are detailed below.

Pursuant to a special resolution passed on 28 August 2002, the Company adopted a share option scheme under which the directors of the Company may grant options to eligible person, including any directors, whether executive or non-executive (including any independent non-executive directors), and any employee, whether full time or part time, of any member of the Group (the "2002 Share Option Scheme").

The Company terminated 2002 Share Option Scheme and adopted a new share option scheme ("2008 Share Option Scheme") at its 2008 Annual General Meeting held on 30 September 2008. The principal terms of 2002 Share Option Scheme and 2008 Share Option Scheme are basically the same.

The Company terminated 2008 Share Option Scheme and adopted a new share option scheme ("2014 Share Option Scheme") at its 2014 Annual General Meeting held on 20 August 2014. The principal terms of 2008 Share Option Scheme and 2014 Share Option Scheme are basically the same.

Under each of 2002 Share Option Scheme, 2008 Share Option Scheme and 2014 Share Option Scheme, options granted must be taken up within a period of 30 days from the date of grant, upon payment of HK$1 per grant. Options may be exercised in portions and in the exercisable period determined by the directors of the Company at the date of grant. All of the options, if not otherwise exercised, amended or cancelled, lapsed on 28 August 2012 under 2002 Share Option Scheme, on 30 September 2018 under 2008 Share Option Scheme and on 30 September 2018 and 20 August 2024 under 2014 Share Option Scheme.

Each grant of an option to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors, excluding any independent non-executive director who is the grantee of the option.

Under each of 2002 Share Option Scheme, 2008 Share Option Scheme and 2014 Share Option Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the aforesaid schemes and any other share option scheme of the Company as from the commencement of the scheme period, excluding those options which have lapsed in accordance with the terms of 2002 Share Option Scheme, 2008 Share Option Scheme or 2014 Share Option Scheme or any other share option schemes of the Company, must not in aggregate exceeds 10% of the Company's shares in issue as at the date of adoption of the respective Share Option Scheme or exceed any of the refreshed limit.

No option shall be granted to an eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under 2002 Share Option Scheme, 2008 Share Option Scheme and 2014 Share Option Scheme and any other share option scheme of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant exceeding 1% of the shares in issue. Any further grant of options in excess of this limit may be made only with the separate approval of the shareholders in general meeting with that eligible person and his associates abstaining from voting.

The total number of shares available for grant under the share option schemes of the Company is 69,698,000 (31 March 2018: 142,576,500) representing approximately 2.28% (31 March 2018: 4.66%) of the issued share capital of the Company as at the end of the reporting period.

46. SHARE OPTIONS (Continued)

For the nine months ended 31 December 2018

The following tables show the movements in the Company's share options granted under 2008 Share Option Scheme and 2014 Share Option Scheme during the nine months ended 31 December 2018:

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2018
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	315,000	–	–	(315,000)	–
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	475,000	–	–	(475,000)	–
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	578,000	–	–	(578,000)	–
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	1,496,500	–	–	(1,496,500)	–
26 November 2008	0.415	26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	24,000	–	–	(24,000)	–
21 June 2010	6.580	21 June 2010 to 20 June 2011	21 June 2011 to 30 September 2018	1,500,000	–	–	(1,500,000)	–
		21 June 2010 to 20 June 2012	21 June 2012 to 30 September 2018	1,500,000	–	–	(1,500,000)	–
		21 June 2010 to 20 June 2013	21 June 2013 to 30 September 2018	1,500,000	–	–	(1,500,000)	–
		21 June 2010 to 20 June 2014	21 June 2014 to 30 September 2018	1,500,000	–	–	(1,500,000)	–
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	5,262,000	–	–	(5,262,000)	–
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	4,664,000	–	–	(4,664,000)	–
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	5,266,000	–	–	(5,266,000)	–
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	6,400,000	–	–	(6,400,000)	–
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	7,558,000	–	–	(7,558,000)	–

46. SHARE OPTIONS (Continued)

For the nine months ended 31 December 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2018
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	1,000,000	–	–	(1,000,000)	–
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	(1,000,000)	–
26 September 2011	3.310	26 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	120,000	–	–	(120,000)	–
		26 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	(120,000)	–
		26 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	120,000	–	–	(120,000)	–
		26 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	120,000	–	–	(120,000)	–
31 October 2011	4.190	31 October 2011 to 31 August 2012	1 September 2012 to 30 September 2018	60,000	–	–	(60,000)	–
		31 October 2011 to 31 August 2013	1 September 2013 to 30 September 2018	60,000	–	–	(60,000)	–
		31 October 2011 to 31 August 2014	1 September 2014 to 30 September 2018	60,000	–	–	(60,000)	–
		31 October 2011 to 31 August 2015	1 September 2015 to 30 September 2018	60,000	–	–	(60,000)	–
		31 October 2011 to 31 August 2016	1 September 2016 to 30 September 2018	60,000	–	–	(60,000)	–
14 February 2012	3.810	14 February 2012 to 31 August 2012	1 September 2012 to 30 September 2018	400,000	–	–	(400,000)	–
		14 February 2012 to 31 August 2013	1 September 2013 to 30 September 2018	400,000	–	–	(400,000)	–
		14 February 2012 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	–	–	(400,000)	–
		14 February 2012 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	–	–	(400,000)	–
		14 February 2012 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	–	–	(400,000)	–

46. SHARE OPTIONS (Continued)

For the nine months ended 31 December 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2018
29 November 2012	4.582	29 November 2012 to 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	–	(120,000)	–
		29 November 2012 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	(120,000)	–
		29 November 2012 to 31 August 2015	1 September 2015 to 30 September 2018	220,000	–	–	(220,000)	–
		29 November 2012 to 31 August 2016	1 September 2016 to 30 September 2018	220,000	–	–	(220,000)	–
		29 November 2012 to 31 August 2017	1 September 2017 to 30 September 2018	220,000	–	–	(220,000)	–
28 June 2013	3.982	28 June 2013 to 31 August 2017	1 September 2017 to 30 September 2018	2,000,000	–	–	(2,000,000)	–
		28 June 2013 to 31 August 2018	1 September 2018 to 30 September 2018	2,000,000	–	–	(2,000,000)	–
29 July 2013	3.990	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	100,000	–	–	(100,000)	–
		29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	100,000	–	–	(100,000)	–
		29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	140,000	–	–	(140,000)	–
		29 July 2013 to 31 August 2017	1 September 2017 to 30 September 2018	260,000	–	–	(260,000)	–
		29 July 2013 to 31 August 2018	1 September 2018 to 30 September 2018	260,000	–	–	(260,000)	–
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	40,000	–	–	(40,000)	–
		9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	240,000	–	–	(240,000)	–
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	240,000	–	–	(240,000)	–
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	240,000	–	–	(240,000)	–
		9 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	240,000	–	–	(240,000)	–

46. SHARE OPTIONS (Continued)

For the nine months ended 31 December 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2018
9 September 2013	4.368	9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	2,500,000	–	–	(2,500,000)	–
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	2,500,000	–	–	(2,500,000)	–
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	2,500,000	–	–	(2,500,000)	–
19 September 2013	4.212	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	–	–	(400,000)	–
		19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	–	–	(400,000)	–
		19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	–	–	(400,000)	–
		19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	400,000	–	–	(400,000)	–
		19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	400,000	–	–	(400,000)	–
24 April 2014	4.022	24 April 2014 to 31 August 2015	1 September 2015 to 30 September 2018	266,000	–	–	(266,000)	–
		24 April 2014 to 31 August 2016	1 September 2016 to 30 September 2018	266,000	–	–	(266,000)	–
		24 April 2014 to 31 August 2017	1 September 2017 to 30 September 2018	268,000	–	–	(268,000)	–
9 July 2014	3.870	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	750,000	–	–	(750,000)	–
		9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	750,000	–	–	(750,000)	–
		9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	750,000	–	–	(750,000)	–
		9 July 2014 to 31 July 2018	1 August 2018 to 30 September 2018	750,000	–	–	(750,000)	–
				62,878,500	–	–	(62,878,500)	–

46. SHARE OPTIONS (Continued)

For the nine months ended 31 December 2018 (Continued)

Under 2014 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2018
15 December 2015	4.830	15 December 2015 to 14 December 2016	15 December 2016 to 30 September 2018	3,300,000	–	–	(3,300,000)	**–**
		15 December 2015 to 14 December 2017	15 December 2017 to 30 September 2018	3,300,000	–	–	(3,300,000)	**–**
		15 December 2015 to 30 March 2018	31 December 2018 to 30 September 2018	3,400,000	–	–	(3,400,000)	**–**
22 January 2016	4.226	22 January 2016 to 30 August 2016	1 September 2016 to 20 August 2024	14,852,000	–	–	–	**14,852,000**
		22 January 2016 to 30 August 2017	1 September 2017 to 20 August 2024	17,154,000	–	–	–	**17,154,000**
		22 January 2016 to 30 August 2018	1 September 2018 to 20 August 2024	25,692,000	–	–	–	**25,692,000**
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	500,000	–	–	–	**500,000**
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	500,000	–	–	–	**500,000**
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	500,000	–	–	–	**500,000**
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	500,000	–	–	–	**500,000**
				79,698,000	–	–	(10,000,000)	**69,698,000**
				142,576,500	–	–	(72,878,500)	**69,698,000**

46. SHARE OPTIONS (Continued)

For the year ended 31 March 2018

The following tables show the movements in the Company's share options granted under 2008 Share Option Scheme and 2014 Share Option Scheme during the year ended 31 March 2018:

Under 2008 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year *(Note (a))*	Exercised during the year *(Note (b))*	Lapsed during the year	Outstanding at 31 March 2018
6 November 2008	0.374	6 November 2008 to 5 November 2009	6 November 2009 to 30 September 2018	315,000	–	–	–	**315,000**
		6 November 2008 to 5 November 2010	6 November 2010 to 30 September 2018	475,000	–	–	–	**475,000**
		6 November 2008 to 5 November 2011	6 November 2011 to 30 September 2018	578,000	–	–	–	**578,000**
		6 November 2008 to 5 November 2012	6 November 2012 to 30 September 2018	1,546,500	–	(50,000)	–	**1,496,500**
26 November 2008	0.415	26 November 2008 to 25 November 2012	26 November 2012 to 30 September 2018	24,000	–	–	–	**24,000**
21 June 2010	6.580	21 June 2010 to 20 June 2011	21 June 2011 to 30 September 2018	1,500,000	–	–	–	**1,500,000**
		21 June 2010 to 20 June 2012	21 June 2012 to 30 September 2018	1,500,000	–	–	–	**1,500,000**
		21 June 2010 to 20 June 2013	21 June 2013 to 30 September 2018	1,500,000	–	–	–	**1,500,000**
		21 June 2010 to 20 June 2014	21 June 2014 to 30 September 2018	1,500,000	–	–	–	**1,500,000**
24 March 2011	4.440	24 March 2011 to 31 August 2012	1 September 2012 to 30 September 2018	5,292,000	–	(30,000)	–	**5,262,000**
		24 March 2011 to 31 August 2013	1 September 2013 to 30 September 2018	4,694,000	–	(30,000)	–	**4,664,000**
		24 March 2011 to 31 August 2014	1 September 2014 to 30 September 2018	5,326,000	–	(60,000)	–	**5,266,000**
		24 March 2011 to 31 August 2015	1 September 2015 to 30 September 2018	6,476,000	–	(76,000)	–	**6,400,000**
		24 March 2011 to 31 August 2016	1 September 2016 to 30 September 2018	7,644,000	–	(86,000)	–	**7,558,000**

46. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year *(Note (a))*	Exercised during the year *(Note (b))*	Lapsed during the year	Outstanding at 31 March 2018
16 September 2011	4.080	16 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	1,000,000	–	–	–	**1,000,000**
		16 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	1,000,000	–	–	–	**1,000,000**
26 September 2011	3.310	26 September 2011 to 31 August 2012	1 September 2012 to 30 September 2018	120,000	–	–	–	**120,000**
		26 September 2011 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	**120,000**
		26 September 2011 to 31 August 2015	1 September 2015 to 30 September 2018	120,000	–	–	–	**120,000**
		26 September 2011 to 31 August 2016	1 September 2016 to 30 September 2018	120,000	–	–	–	**120,000**
31 October 2011	4.190	31 October 2011 to 31 August 2012	1 September 2012 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2013	1 September 2013 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2014	1 September 2014 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2015	1 September 2015 to 30 September 2018	60,000	–	–	–	**60,000**
		31 October 2011 to 31 August 2016	1 September 2016 to 30 September 2018	60,000	–	–	–	**60,000**
14 February 2012	3.810	14 February 2012 to 31 August 2012	1 September 2012 to 30 September 2018	400,000	–	–	–	**400,000**
		14 February 2012 to 31 August 2013	1 September 2013 to 30 September 2018	400,000	–	–	–	**400,000**
		14 February 2012 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	–	–	–	**400,000**
		14 February 2012 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	–	–	–	**400,000**
		14 February 2012 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	–	–	–	**400,000**

46. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year *(Note (a))*	Exercised during the year *(Note (b))*	Lapsed during the year	Outstanding at 31 March 2018
29 November 2012	4.582	29 November 2012 to 31 August 2013	1 September 2013 to 30 September 2018	120,000	–	–	–	**120,000**
		29 November 2012 to 31 August 2014	1 September 2014 to 30 September 2018	120,000	–	–	–	**120,000**
		29 November 2012 to 31 August 2015	1 September 2015 to 30 September 2018	220,000	–	–	–	**220,000**
		29 November 2012 to 31 August 2016	1 September 2016 to 30 September 2018	220,000	–	–	–	**220,000**
		29 November 2012 to 31 August 2017	1 September 2017 to 30 September 2018	220,000	–	–	–	**220,000**
28 June 2013	3.982	28 June 2013 to 31 August 2017	1 September 2017 to 30 September 2018	2,000,000	–	–	–	**2,000,000**
		28 June 2013 to 31 August 2018	1 September 2018 to 30 September 2018	2,000,000	–	–	–	**2,000,000**
29 July 2013	3.990	29 July 2013 to 31 August 2014	1 September 2014 to 30 September 2018	100,000	–	–	–	**100,000**
		29 July 2013 to 31 August 2015	1 September 2015 to 30 September 2018	140,000	–	(40,000)	–	**100,000**
		29 July 2013 to 31 August 2016	1 September 2016 to 30 September 2018	140,000	–	–	–	**140,000**
		29 July 2013 to 31 August 2017	1 September 2017 to 30 September 2018	260,000	–	–	–	**260,000**
		29 July 2013 to 31 August 2018	1 September 2018 to 30 September 2018	260,000	–	–	–	**260,000**
9 September 2013	4.368	9 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	40,000	–	–	–	**40,000**
		9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	240,000	–	–	–	**240,000**
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	240,000	–	–	–	**240,000**
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	240,000	–	–	–	**240,000**
		9 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	240,000	–	–	–	**240,000**

46. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2008 Share Option Scheme (Continued)

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year (Note (a))	Exercised during the year (Note (b))	Lapsed during the year	Outstanding at 31 March 2018
9 September 2013	4.368	9 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	2,500,000	–	–	–	**2,500,000**
		9 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	2,500,000	–	–	–	**2,500,000**
		9 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	2,500,000	–	–	–	**2,500,000**
19 September 2013	4.212	19 September 2013 to 31 August 2014	1 September 2014 to 30 September 2018	400,000	–	–	–	**400,000**
		19 September 2013 to 31 August 2015	1 September 2015 to 30 September 2018	400,000	–	–	–	**400,000**
		19 September 2013 to 31 August 2016	1 September 2016 to 30 September 2018	400,000	–	–	–	**400,000**
		19 September 2013 to 31 August 2017	1 September 2017 to 30 September 2018	400,000	–	–	–	**400,000**
		19 September 2013 to 31 August 2018	1 September 2018 to 30 September 2018	400,000	–	–	–	**400,000**
24 April 2014	4.022	24 April 2014 to 31 August 2015	1 September 2015 to 30 September 2018	266,000	–	–	–	**266,000**
		24 April 2014 to 31 August 2016	1 September 2016 to 30 September 2018	266,000	–	–	–	**266,000**
		24 April 2014 to 31 August 2017	1 September 2017 to 30 September 2018	268,000	–	–	–	**268,000**
9 July 2014	3.870	9 July 2014 to 31 August 2015	1 September 2015 to 30 September 2018	750,000	–	–	–	**750,000**
		9 July 2014 to 31 August 2016	1 September 2016 to 30 September 2018	750,000	–	–	–	**750,000**
		9 July 2014 to 31 August 2017	1 September 2017 to 30 September 2018	750,000	–	–	–	**750,000**
		9 July 2014 to 31 July 2018	1 August 2018 to 30 September 2018	750,000	–	–	–	**750,000**
				63,250,500	–	(372,000)	–	**62,878,500**

46. SHARE OPTIONS (Continued)

For the year ended 31 March 2018 (Continued)

Under 2014 Share Option Scheme

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1 April 2017	Granted during the year *(Note (a))*	Exercised during the year *(Note (b))*	Lapsed during the year	Outstanding at 31 March 2018
15 December 2015	4.830	15 December 2015 to 14 December 2016	15 December 2016 to 30 September 2018	3,300,000	–	–	–	**3,300,000**
		15 December 2015 to 14 December 2017	15 December 2017 to 30 September 2018	3,300,000	–	–	–	**3,300,000**
		15 December 2015 to 30 March 2018	31 March 2018 to 30 September 2018	3,400,000	–	–	–	**3,400,000**
22 January 2016	4.226	22 January 2016 to 30 August 2016	1 September 2016 to 20 August 2024	15,064,000	–	(212,000)	–	**14,852,000**
		22 January 2016 to 30 August 2017	1 September 2017 to 20 August 2024	17,154,000	–	–	–	**17,154,000**
		22 January 2016 to 30 August 2018	1 September 2018 to 20 August 2024	25,692,000	–	–	–	**25,692,000**
8 July 2016	6.320	8 July 2016 to 31 August 2017	1 September 2017 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
		8 July 2016 to 31 August 2018	1 September 2018 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
		8 July 2016 to 31 August 2019	1 September 2019 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
		8 July 2016 to 31 August 2020	1 September 2020 to 20 August 2024	2,500,000	–	–	–	**2,500,000**
9 August 2017	4.090	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	–	500,000	–	–	**500,000**
		9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	–	500,000	–	–	**500,000**
		9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	–	500,000	–	–	**500,000**
		9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	–	500,000	–	–	**500,000**
				77,910,000	2,000,000	(212,000)	–	**79,698,000**
				141,160,500	2,000,000	(584,000)	–	**142,576,500**

Notes:

(a) 2,000,000 share options were granted under 2014 Share Option Scheme during the year ended 31 March 2018.

(b) The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year ended 31 March 2018 was HK$5.133.

47. SHARE-BASED PAYMENTS

The Company has applied HKFRS 2 Share-based Payment to account for its share options (Note (i)) and share awards (Note (ii)) and Skyworth Digital's share awards (Note (iii)). Amounts of share-based payment expenses of RMB4 million (for the year ended 31 March 2018: RMB15 million) for share options, RMB17 million (for the year ended 31 March 2018: RMB7 million) for share awards of the Company and RMB21 million (for the year ended 31 March 2018: RMB14 million) for restricted share incentive scheme of Skyworth Digital have been recognised in the profit or loss in the nine months ended 31 December 2018.

Note (i): Share options of the Company

The particulars of the share option schemes of the Company, and the details of and the movements in share options during the nine months ended 31 December 2018 and year ended 31 March 2018 are disclosed in note 46. A summary of which is presented below:

	Nine months ended 31 December 2018 RMB million		**Year ended 31 March2018 RMB million**	
	Number of share options	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$
Outstanding at the beginning of the period/year	**142,576,500**	4.460	**141,160,500**	4.463
Granted during the period/year	**–**	–	**2,000,000**	4.090
Exercised during the period/year	**–**	–	**(584,000)**	3.983
Lapsed during the period/year	**(72,878,500)**	4.400	**–**	–
Outstanding at the end of the period/year	**69,698,000**	4.523	**142,576,500**	4.460
Exercisable at the end of the period/year	**63,198,000**		**103,734,500**	

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2018 was HK$5.027. The share options outstanding as at 31 December 2018 have a weighted average remaining contractual life of 5.64 years (31 March 2018: 1.68 years) and the exercise prices of which range from HK$4.090 to HK$6.320 (31 March 2018: HK$0.374 to HK$6.580).

Share option expenses charge to profit or loss are based on valuation determined using the Black-Scholes Model. Share options granted during the year ended 31 March 2018 were valued based on the following assumptions:

Date of grant	Number of share options granted	Vesting period	Exercisable period	Fair value per option	Total fair value of options granted	Closing share price at date of grant	Exercise price	Expected volatility	Dividend yield	Expected interest rate	Risk free rate
				HK$	HK$	HK$	HK$	%	%	%	%
9 August 2017	500,000	9 August 2017 to 31 August 2018	1 September 2018 to 20 August 2024	1.2406	620,303	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2019	1 September 2019 to 20 August 2024	1.2819	640,966	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2020	1 September 2020 to 20 August 2024	1.3172	658,598	4.08	4.09	58.42	3.77	1.5	0.75
9 August 2017	500,000	9 August 2017 to 31 August 2021	1 September 2021 to 20 August 2024	1.3471	673,553	4.08	4.09	58.42	3.77	1.5	0.75
	2,000,000				2,593,420						

47. SHARE-BASED PAYMENTS (Continued)

Note (i): Share options of the Company (Continued)

Expected volatility was determined by using the historical volatility of the Company's share price over previous years. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised in the total expense of RMB4 million (for the year ended 31 March 2018: RMB15 million) for the nine months ended 31 December 2018 in relation to share options granted by the Company.

Note (ii): Share awards of the Company

On 24 June 2014, an employees' share award scheme was adopted by the Company. The share award scheme is valid and effective for a period of 10 years commencing from 24 June 2014. Pursuant to the rules of the scheme, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest.

During the nine months ended 31 December 2018, a total of 10,060,000 shares are awarded (for the year ended 31 March 2018: nil) and 2,400,000 (for the year ended 31 March 2018: 7,243,000) awarded shares were vested and allotted.

Vesting dates	Outstanding at 1 April 2017	Movement during the year Allotted	Lapsed	Outstanding at 31 March 2018	Awarded	Movement during the period Allotted	Lapsed	Outstanding at 31 December 2018
31 August 2017	8,476,000	(3,753,000)	(4,723,000)	–	–	–	–	–
31 December 2017	3,968,000	(3,490,000)	(478,000)	–	–	–	–	–
31 July 2018	–	–	–	–	2,400,000	(2,400,000)	–	–
30 April 2019	–	–	–	–	3,830,000	–	(400,000)	**3,430,000**
30 April 2020	–	–	–	–	3,830,000	–	(400,000)	**3,430,000**
	12,444,000	(7,243,000)	(5,201,000)	–	10,060,000	(2,400,000)	(800,000)	**(6,860,000)**
Weighted average fair value	HK$4.19	HK$4.41	HK$3.53	–	HK$3.63	HK$3.63	HK$3.63	**HK$3.63**

During the nine months ended 31 December 2018 and the year ended 31 March 2018, no share of the Company was acquired for this scheme. As at 31 December 2018, there are 27,664,000 shares (31 March 2018: 30,064,000 shares) held for such scheme with carrying amount of RMB98 million (31 March 2018: RMB105 million) accumulated in equity under the heading of "shares held for share award scheme".

The total fair value of the awarded shares determined at the date of grant is RMB31 million (for the year ended 31 March 2018: nil) for the nine months ended 31 December 2018. The fair value of the awarded shares granted during the nine months ended 31 December 2018 was determined by reference to the closing share price of the Company at date of grant, which was HK$3.63 per share.

The Group recognised in the total expense of RMB17 million (for the year ended 31 March 2018: RMB7 million) for the nine months ended 31 December 2018 in relation to share awards granted by the Company.

47. SHARE-BASED PAYMENTS (Continued)

Note (iii): Restricted share incentive scheme of Skyworth Digital

The restricted share incentive scheme was approved and adopted by the shareholders of Skyworth Digital, an indirect non-wholly owned subsidiary of the Company established in the PRC whose shares are listed on the Shenzhen Stock Exchange at the special general meeting held on 31 August 2017. The restricted share incentive scheme is valid and effective for a period of 4 years commencing from 31 August 2017.

During the nine months ended 31 December 2018, a total of 4,608,000 restricted shares (for the year ended 31 March 2018: 36,373,000 restricted shares) of Skyworth Digital have been awarded to certain directors and employees of Skyworth Digital at RMB4.66 per share (for the year ended 31 March 2018: RMB5.61 per share) with a vesting period of 1 year, 2 years or 3 years without dividend entitlement during the vesting period and 10,454,100 awarded shares were vested and allotted. RMB159 million (31 March 2018: RMB204 million) have been received for this restricted share incentive scheme as at 31 December 2018 as disclosed in note 36(a).

Vesting dates	Outstanding at 1 April 2017	Movement during the year Awarded	Outstanding at 31 March 2018	Awarded	Movement during the period Allotted	Lapsed	Outstanding at 31 December 2018
3 September 2018	–	10,911,900	10,911,900	–	(10,454,100)	(457,800)	–
3 September 2019	–	10,911,900	10,911,900	–	–	(457,800)	**10,454,100**
3 September 2020	–	14,549,200	14,549,200	–	–	(520,400)	**14,028,800**
11 June 2019	–	–	–	2,304,000	–	–	**2,304,000**
11 June 2020	–	–	–	2,304,000	–	–	**2,304,000**
	–	36,373,000	36,373,000	4,608,000	(10,454,100)	(1,436,000)	**29,090,900**
Weighted average fair value	–	RMB1.12	RMB1.12	RMB2.53	RMB2.10	RMB1.14	**RMB1.30**

The total fair value of the restricted shares granted by Skyworth Digital determined at the date of grant was RMB12 million during the nine months ended 31 December 2018 (for the year ended 31 March 2018: RMB42 million).

The fair value of restricted shares granted are based on valuation determined by reference to the closing share price of the Skyworth Digital at date of grant, which was RMB9.65 per share (for the year ended 31 March 2018: RMB10.93 per share) and adjusted for the exercise price.

The Group recognised in the total expense of RMB21 million (for the year ended 31 March 2018: RMB14 million) for the nine months ended 31 December 2018 in relation to restricted share incentive scheme of Skyworth Digital.

48. DISPOSAL OF A SUBSIDIARY

Disposal of Suining

On 11 June 2018, the Group disposed 94% equity interest in a non-wholly owned subsidiary, Suining, which engaged in spinning, weaving, manufacture and sales of textiles at a consideration of RMB30 million.

The assets and liabilities over which control was lost at the date of disposal are as follow:

	RMB million
Property, plant and equipment	62
Prepaid lease payments on land use rights	74
Equity instruments at FVTPL	1
Inventories	23
Trade receivables	46
Bank balances and cash	16
Trade and other payables	(31)
Borrowings	(160)
Deferred income	(8)
	23

The loss on disposal of a subsidiary arising on the disposal is as follows:

	RMB million
Consideration	30
Less: Net assets disposed of	(23)
Less: Derecognised goodwill	(39)
Add: Non-controlling interests	2
Loss on disposal of Suining	(30)

Net cash inflow arising on the disposal is as follows:

	RMB million
Cash consideration received	30
Less: bank balances and cash disposed	(16)
Net cash inflow for the period	14

49. PLEDGE OF ASSETS

At 31 December 2018, the Group's borrowings were secured by the following:

(a) legal charges over prepaid lease payments on land use rights, and leasehold land and buildings with carrying value of RMB17 million (31 March 2018: RMB17 million) and RMB225 million (31 March 2018: RMB243 million), respectively;

(b) pledged bank deposits of RMB123 million (31 March 2018: RMB334 million);

(c) trade receivables of RMB25 million (31 March 2018: RMB26 million); and

(d) bills receivables of RMB500 million (31 March 2018: RMB460 million).

50. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented land and buildings which fall due as follows:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Within one year	**163**	150
In the second to fifth year inclusive	**173**	97
Over five years	**12**	23
	348	270

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms ranging from one to six years and rentals are fixed over the term of the relevant leases.

50. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

During the period, the Group earned rental income of RMB272 million (for the year ended 31 March 2018: RMB294 million) from the lease of the Group's properties. The leased properties have committed tenants for terms ranging from one to five years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Within one year	**283**	251
In the second to fifth year inclusive	**583**	345
Over five years	**537**	31
	1,403	627

51. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Contracted but not provided for, in respect of:		
Purchase of property, plant and equipment	**155**	188
Factory buildings and office premises under development	**414**	302
	569	490

52. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt which includes borrowings disclosed in note 41, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

53. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Financial assets		
Financial assets at amortised cost	**23,944**	–
Loans and receivables at amortised cost (including cash and cash equivalents)	**–**	23,867
Equity instruments at FVTPL	**463**	–
Equity instruments at FVTOCI	**1,494**	–
Available-for-sale financial assets	**–**	1,237
Financial assets at FVTPL	**37**	–
Held-for-trading investments	**–**	32
Financial liabilities		
Amortised cost	**22,725**	21,990
Derivative financial instruments	**3**	2

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTPL, equity instruments at FVTOCI, available-for-sale investments, loan receivables, investments in debt securities, financial assets at FVTPL, held-for-trading investments, trade receivables, other receivables, amounts due from associates, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables, bills payables, derivative financial instruments, amounts due to associates, amount due to a non-controlling shareholder of a subsidiary, borrowings, corporate bonds and other financial liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate, interest rate and other price.

53. FINANCIAL INSTRUMENTS (Continued)

(b) *Financial risk management objectives and policies (Continued)*

Market risk (Continued)

Currency risk

The Group's sales in the PRC represent over 74% (for the year ended 31 March 2018: 66%) of the Group's total turnover. All of these sales transactions are conducted and denominated in RMB. The Group needs to convert revenue in RMB into foreign currencies from time to time in order to meet its ongoing obligations and payment of dividends. Although RMB is not a freely convertible currency, the Group did not experience any difficulties in such conversion to meet operational requirements.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million	**As at 31 December 2018 RMB million**	As at 31 March 2018 RMB million
US$ against RMB	**1,206**	1,123	**1,606**	241
HK$ against RMB	**-**	12	**404**	260
EUR against RMB	**12**	–	**1**	1,748
EUR against HK$	**1**	13	**195**	–
RMB against HK$	**18**	160	**1**	–

Currency risk sensitivity analysis

The directors of the Company considered that the Group's exposure to RMB against HK$ is limited as amounts involved are immaterial. Accordingly, no sensitivity to fluctuation in RMB against HK$ is presented.

The Group therefore exposes to fluctuations in US$, HK$ and EUR against RMB and EUR against HK$. The following table only details the Group's sensitivity to a 5% increase and decrease in US$, HK$ and EUR against RMB and EUR against HK$. 5% is the sensitivity rate used when it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes trade receivables, other receivables, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables, as well as borrowings. A positive number below indicates an increase in profit for the period/year where US$ strengthen 5% against RMB, HK$ and EUR weaken 5% against RMB and EUR weaken 5% against HK$. For a 5% weakening of US$ against RMB, 5% strengthening of HK$ and EUR against RMB and 5% strengthening of EUR against HK$, there would be an equal and opposite impact on the profit for the period/year.

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Profit for the period/year		
US$ against RMB	**(17)**	37
HK$ against RMB	**17**	11
EUR against RMB	**–**	74
EUR against HK$	**8**	–

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Currency risk sensitivity analysis (Continued)

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and liabilities, as the exposure at the end of the reporting period does not represent the exposure during the period/year.

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its pledged bank deposits, restricted bank deposits, bank balances and borrowings are subject to floating interest rates (see note 41 for details of the borrowings). It is the Group's policy to keep majority of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the need arise.

The Group is exposed to fair value interest rate risk in relation to its loan receivables, finance lease receivables, investments in debt securities, customer deposits, corporate bonds and borrowings which are interest bearing at fixed-rate.

The management considered that the exposure to cash flow interest rate risk in relation to pledged bank deposits, restricted bank deposits, and bank balances is minimal, accordingly, no sensitivity analysis is presented for both period/year.

The Group's cash flow interest rate risk is mainly related to the fluctuation of Euro Interbank Offered Rate, PBOC lending rate and LIBOR against the Group's borrowings.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for borrowings at the end of the reporting period and assumed the amounts outstanding at the end of the reporting period were outstanding for the whole period/year and held constant throughout the financial period/year. If interest rates on interest bearing borrowings had been 50 basis points higher/lower and all other variables were held constant, the post-tax profit for the period/year would decrease/increase by approximately RMB19 million (for the year ended 31 March 2018: RMB26 million).

Other price risk

The Group is exposed to other price risk through its investments in listed and unlisted equity securities, other financial instruments and unlisted investment fund (as disclosed in notes 23, 24 and 30). In addition, the Group has appointed the management to monitor the price risk and will consider hedging the risk exposure should the need arise.

53. FINANCIAL INSTRUMENTS (Continued)

(b) *Financial risk management objectives and policies (Continued)*

Market risk (Continued)

Other price risk (Continued)

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (31 March 2018: 10%) higher/lower:

- post-tax profit for the nine months ended 31 December 2018 would increase/decrease by RMB43 million/RMB43 million as a result of the changes in fair value of equity instruments at FVTPL and financial assets at FVTPL (for the year ended 31 March 2018: RMB3 million/RMB3 million as a result of the changes in fair value of held-for-trading investments); and

- FVTOCI reserve would increase/decrease by RMB127 million/RMB127 million as a result of the changes in fair value of equity instruments at FVTOCI investments (for the year ended 31 March 2018: investment revaluation reserve would increase/decrease by RMB13 million/RMB13 million as a result of changes in fair value of listed available-for-sale investments at fair value).

The Group's sensitivity to available-for-sale investments and held-for-trading investments has not changed significantly from the prior year.

Credit risk and impairment assessment

As at 31 December 2018, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (31 March 2018: incurred loss model) on financial assets at amortised cost individually or collectively based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on bills received from customers, the Group will only accept bills issued by certain licensed banks with high credit ratings. Before accepting any bills from customers, the Group will verify the validity of each bill. In this regard, the directors of the Company consider that the Group's credit risk associated with its bills receivable is limited.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The credit risk on investments in debt securities and other receivables is limited because the directors of the Company have monitored the settlement and expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on finance lease receivables are limited because all receivables are are secured over the plant and machinery leased.

The pledged bank deposits, restricted bank deposits and bank balances are placed in a number of counterparties, most of which are licensed banks with high credit ratings. As such, the credit risk on liquid funds is limited.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 89% (31 March 2018: 83%) and 100% (31 March 2018: 100%) of the total trade receivables and loan receivable respectively at the end of the reporting period.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers, and industries.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
P 1	Listed companies, subsidiaries of listed companies or large private company with over 3 years business relationship with no history of default or the counterparty has a low risk of default	Life time ECL – not credit impaired	12-month ECL
P 2	Large private company with less than 3 years business relationship with no history of default	Life time ECL – not credit impaired	12-month ECL
P 3	Small private company with less than 3 years business relationship with no history of default	Life time ECL – not credit impaired	12-month ECL
P 4	There is evidence indicating the asset is credit-impaired but the Group has realistic prospect of recovery	Life time ECL – credit impaired	Life time ECL – credit impaired
P 5	There is evidence indicating the asset is credit-impaired for more than 12 months but the Group has realistic prospect of recovery	Life time ECL – credit impaired	Life time ECL – credit impaired
P 6	There is evidence indicating that the debtor is in severe financial difficulty	Life time ECL – credit impaired	Life time ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and finance lease receivables, which are subject to ECL assessment:

31 December 2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB million	RMB million
Financial assets at amortised cost					
Loan receivables	25	P 1	12-month ECL	1,728	
		P 2	12-month ECL	94	
		P 3	12-month ECL	43	
		P 4	Lifetime ECL – credit-impaired	1,090	
		P 5	Lifetime ECL – credit-impaired	10	
		P 6	Lifetime ECL – credit-impaired	81	3,046
Investments in debt securities	29	P 1	12-month ECL	150	
		P 5	Lifetime ECL – credit-impaired	42	192
Trade receivables	31	P 1	Lifetime ECL – not credit-impaired	7,577	
		P 2	Lifetime ECL – not credit-impaired	6,475	
		P 3	Lifetime ECL – not credit-impaired	1,793	
		P 4	Lifetime ECL – credit-impaired	720	
		P 5	Lifetime ECL – credit-impaired	55	
		P 6	Lifetime ECL – credit-impaired	93	16,713
Other receivables	32	P 1	12-month ECL	820	
		P 4	Lifetime ECL – credit-impaired	10	
		P 5	Lifetime ECL – credit-impaired	8	838
Pledged bank deposits	35	*(Note (i))*	12-month ECL	123	123
Restricted bank deposits	35	*(Note (i))*	12-month ECL	335	335
Bank balances	35	*(Note (i))*	12-month ECL	3,312	3,312
Other items					
Finance lease receivables	33	P 2	12-month ECL	132	132

Note:

(i) The counterparties are licensed banks with high credit ratings and the risk of default on liquid funds is limited.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating. The following table provides information about the exposure to credit risk which are assessed based on provision matrix as at 31 December 2018. Credit-impaired trade receivables, loan receivables, investments in debt securities and other receivables with gross carrying amounts of RMB868 million, RMB1,181 million, RMB42 million and RMB18 million, respectively as at 31 December 2018 were assessed individually.

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables	Loan receivables	Investments in debt securities	Other receivables	Finance lease receivables
		RMB million	RMB million	RMB million	RMB million	RMB million
P 1	0.02%	7,577	1,728	150	820	–
P 2	1.24%	6,475	94	–	–	132
P 3	2.79%	1,793	43	–	–	–
		15,845	1,865	150	820	132

The estimated loss rates are estimated based on average of market corporate default rates and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the nine months ended 31 December 2018, the Group provided RMB97 million net impairment allowance for trade receivables.

53. FINANCIAL INSTRUMENTS (Continued)

(b) *Financial risk management objectives and policies (Continued)*

Credit risk and impairment assessment (Continued)

The following table shows the movement in allowance for credit losses that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
	RMB million	RMB million	RMB million
As at 31 March 2018 under HKAS 39	–	174	174
Adjustment upon application of HKFRS 9	26	–	26
As at 1 April 2018 – As restated	26	174	200
Impairment loss recognised	136	98	234
Impairment loss reversed	(14)	(123)	(137)
As at 31 December 2018	148	149	297

The following table shows the movement in allowance for credit losses that has been recognised for loan receivables.

	12-month ECL	Lifetime ECL – credit-impaired	Total
	RMB million	RMB million	RMB million
As at 31 March 2018 under HKAS 39	–	98	98
Adjustment upon application of HKFRS 9	111	–	111
As at 1 April 2018 – As restated	111	98	209
Transfer to credit-impaired *(Note (1))*	(109)	109	–
Impairment loss recognised	1	130	131
Amounts uncollectible written off *(Note (2))*	–	(65)	(65)
As at 31 December 2018	3	272	275

Notes:

(1) Certain loan receivables with gross carrying amount of RMB1,099 million are defaulted and transferred to credit impaired during the nine months ended 31 December 2018.

(2) The Group writes off a loan receivable when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action against the borrowers to recover the amount due.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

In addition,

- the Group recognised impairment for credit losses for its credit-impaired investments in debt securities amounted to RMB34 million for the nine months ended 31 December 2018 under lifetime ECL. There is no transfer of loss allowances from 12-month ECL to lifetime ECL (not credit-impaired) or lifetime ECL (credit-impaired) occurred during the period;

- the Group recognised impairment for credit losses for its other receivables amounted to RMB11 million for the nine months ended 31 December 2018; and

- the Group recognised impairment for credit losses for its finance lease receivables amounted to RMB4 million for the nine months ended 31 December 2018.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. As at 31 December 2018, the Group has available unutilised borrowing facilities of approximately RMB10,621 million (31 March 2018: RMB8,942 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows (inflows) on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand or less than 1 month RMB million	1 to 3 months RMB million	Over 3 months but not more than 1 year RMB million	1 to 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2018 RMB million
31 December 2018								
Non-derivative financial liabilities								
Trade and other payables	–	4,202	2,976	828	–	–	8,006	8,006
Other financial liabilities	8%	1	2	10	236	–	249	173
Bills payable	–	979	1,749	3,454	–	–	6,182	6,182
Amounts due to a non-controlling shareholder of a subsidiary	–	50	–	–	–	–	50	50
Borrowings – variable rate	4.46%	335	1,545	1,880	841	–	4,601	4,442
Borrowings – fixed rate	2.96%	520	715	660	–	2	1,897	1,882
Corporate bonds	5.48%	–	–	218	2,185	–	2,403	1,990
		6,087	6,987	7,050	3,262	2	23,388	22,725
Derivatives financial instruments, net								
Foreign currently forward contracts	–	–	–	3	–	–	3	3

	Weighted average effective interest rate	Repayable on demand or less than 1 month RMB million	1 to 3 months RMB million	Over 3 months but not more than 1 year RMB million	1 to 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 March 2018 RMB million
31 March 2018								
Non-derivative financial liabilities								
Trade and other payables	–	4,653	1,167	1,010	–	–	6,830	6,830
Other financial liabilities	8%	–	–	–	210	–	210	163
Bills payable	–	920	2,243	2,285	–	–	5,448	5,448
Amounts due to associates	–	23	–	–	–	–	23	23
Amounts due to a non-controlling shareholder of a subsidiary	–	60	–	–	–	–	60	60
Borrowings – variable rate	3.70%	490	610	4,125	1,281	–	6,506	6,226
Borrowings – fixed rate	2.46%	70	440	552	193	2	1,257	1,250
Corporate bonds	5.48%	–	–	218	2,435	–	2,653	1,990
		6,216	4,460	8,190	4,119	2	22,987	21,990
Derivatives financial instruments, net								
Interest rate swap contracts	–	–	–	2	–	–	2	2

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2018, the aggregate undiscounted principal amounts of these borrowings amounted to RMB299 million (31 March 2018: RMB506 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB300 million (31 March 2018: RMB510 million).

		Maturity Analysis – borrowings subject to a repayment on demand clause based on scheduled repayments					
	Weighted average effective interest rate	Less than 1 month RMB million	1 to 3 months RMB million	Over 3 months but not more than 1 year RMB million	1 to 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
31 December 2018	**1.47%**	**141**	**–**	**159**	**–**	**300**	**299**
31 March 2018	1.50%	–	100	216	194	510	506

53. FINANCIAL INSTRUMENTS (Continued)

(c) *Fair value measurements of financial instruments*

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used),as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ (financial liabilities)	Fair value as at 31 December 2018 RMB million	31 March 2018 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Equity instruments at FVTPL				
Listed equity securities	**73**	–	Level 1	Quoted bid prices in an active market
Unlisted equity securities	**390**	–	Level 3 *(Note (a))*	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable companies and discount for the marketability.
	463	–		

53. FINANCIAL INSTRUMENTS (Continued)

(c) *Fair value measurements of financial instruments (Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ (financial liabilities)	Fair value as at 31 December 2018 RMB million	Fair value as at 31 March 2018 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Equity instruments at FVTOCI				
Unlisted equity securities	**1,494**	–	Level 3 *(Note (b))*	Market approach Valuations are derived by the earnings attributable to owners of the investment, price of earnings multiples of comparable companies and discount for the marketability.
Available-for-sale investments:				
Listed equity securities	**–**	62	Level 1	Quoted bid prices in an active market
Unlisted investment funds	**–**	88	Level 3 *(Note (c))*	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
	–	150		
Financial assets at FVTPL				
Unlisted investment funds	**37**	–	Level 3 *(Note (c))*	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ (financial liabilities)	Fair value as at 31 December 2018 RMB million	Fair value as at 31 March 2018 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)
Held-for-trading investments:				
Unlisted investment funds	**–**	32	Level 3 *(Note (c))*	Discounted cash flow Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial instruments:				
Foreign currency forward contract	**(3)**	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange (from observable forward exchange at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swap contracts	**–**	(2)	Level 2	Discounted cash flow Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
	(3)	(2)		

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

(a) A slight decrease in discount rate on discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTPL, and vice versa. A 5% decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTPL by RMB20 million (31 March 2018: nil).

(b) A slight decrease in discount rate on discount for lack of marketability used in valuation would result in a significant increase in the fair value measurement of the unlisted equity securities at FVTOCI, and vice versa. A 5% decrease in the discount for lack of marketability holding all other variables constant would increase the carrying amount of the unlisted equity securities at FVTOCI by RMB75 million (31 March 2018: nil).

(c) A slight increase in the expected yield would result in a significant increase in the fair value measurement of the unlisted investment fund, and vice versa. A 5% increase in the expected yield holding all other variables constant would increase the carrying amount of the unlisted investment fund by RMB2 million (31 March 2018: RMB6 million).

53. FINANCIAL INSTRUMENTS (Continued)

(c) *Fair value measurements of financial instruments (Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities		Unlisted investment funds		
	Equity instruments at FVTPL RMB million	Equity instruments at FVTOCI RMB million	Available-for-sale investments RMB million	Held-for trading investments RMB million	Financial assets at FVTPL RMB million
At 1 April 2017 – HKAS 39	–	–	943	–	–
Investments	–	–	68	32	–
Disposals	–	–	(923)	–	–
At 31 March 2018 – HKAS 39	–	–	88	32	–
Reclassification from available-for-sale investments	–	–	(88)	–	88
Reclassification from held-for-trading investments	–	–	–	(32)	32
Transfers into of Level 3 upon application of HKFRS 9	258	829	–	–	–
Remeasurement from cost less impairment to fair value	47	2,428	–	–	–
At 1 April 2018 – HKFRS 9	305	3,257	–	–	120
Loss from changes in fair value of equity instruments at FVTPL	(26)	–	–	–	–
Fair value loss on investments in equity instruments at FVTOCI	–	(1,763)	–	–	–
Investments	123	–	–	–	5
Disposals	–	–	–	–	(88)
Exchange realignment	(12)	–	–	–	–
At 31 December 2018	390	1,494	–	–	37

Except for the changes upon the application of HKFRS 9 at 1 April 2018, there is no transfer between different levels of the fair value hierarchy for both periods ended 31 December 2018 and 31 March 2018.

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets (Continued)

Loss from changes in fair value of equity instruments at FVTPL of RMB26 million relates to equity instruments at FVTPL held at the end of the current reporting period. Fair value gains or losses on equity instruments at FVTPL are included in "other gains and losses".

All gains and losses included in other comprehensive income relate to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "FVTOCI reserve".

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The accounting team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuations in the fair value of the assets and liabilities are explained to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

No changes in the business or economic circumstances that significantly affect the fair value of financial instruments is considered by the directors of the Company.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

The fair values of the above financial assets and financial liabilities (categorised with Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables RMB million	Amounts received for share award scheme of a subsidiary RMB million *(note 36(a))*	Interest payables RMB million	Other financial liabilities RMB million *(note 36(b))*	Amount due to a non-controlling shareholder of a subsidiary RMB million	Borrowings RMB million *(note 41)*	Corporate bonds RMB million *(note 43)*	Total RMB million
At 1 April 2017	–	–	–	203	90	7,089	–	7,382
Non cash transactions:								
Exchange realignment	–	–	–	–	–	(306)	–	(306)
Dividend recognised as distribution	129	–	–	–	60	–	–	189
Scrip dividend	(59)	–	–	–	–	–	–	(59)
Finance costs	–	–	312	10	–	–	–	322
Bills discounted to banks with recourse	–	–	–	–	–	(1,119)	–	(1,119)
Arising on disposal of partial interest in a subsidiary	–	–	–	50	–	–	–	50
Release of other financial liabilities to non-controlling interests	–	–	–	(100)	–	–	–	(100)
Financing cash flows:								
Dividend paid	(70)	–	–	–	(90)	–	–	(160)
Interest paid	–	–	(252)	–	–	–	–	(252)
Amounts received for share award scheme of a subsidiary	–	204	–	–	–	–	–	204
New borrowings raised	–	–	–	–	–	7,476	–	7,476
Repayments of borrowings	–	–	–	–	–	(5,664)	–	(5,664)
New corporate bonds raised, net of transaction costs	–	–	–	–	–	–	1,990	1,990
At 31 March 2018	–	204	60	163	60	7,476	1,990	9,953
Non cash transactions:								
Exchange realignment	–	–	–	–	–	(125)	–	(125)
Dividend recognised as distribution	241	–	–	–	32	–	–	273
Finance costs	–	–	325	10	–	–	–	335
Bills discounted to banks with recourse	–	–	–	–	–	(932)	–	(932)
Shares vested under the restricted share incentive scheme of Skyworth Digital	–	(59)	–	–	–	–	–	(59)
Financing cash flows:								
Dividend paid	(241)	–	–	–	(42)	–	–	(283)
Interest paid	–	–	(349)	–	–	–	–	(349)
Amounts received for share award scheme of a subsidiary	–	23	–	–	–	–	–	23
New borrowings raised	–	–	–	–	–	7,080	–	7,080
Repayments of borrowings	–	–	–	–	–	(7,175)	–	(7,175)
At 31 December 2018	–	168	36	173	50	6,324	1,990	8,741

55. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2018, certain shareholders elected to receive scrip dividends for 2017 final dividend of RMB59 million. Details are set out in note 14.

56. CONTINGENT LIABILITIES

There are individual patent disputes which arise from time to time in the ordinary course of the business of the Group. The Group is in the course of processing these matters. The directors of the Company are of the view that these patent disputes will not have a material adverse impact on the consolidated financial statements of the Group.

57. RETIREMENT BENEFITS SCHEMES

The employees of the Company's Hong Kong subsidiaries participate in a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSON Scheme") or a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Scheme Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Certain employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme remained with the ORSO Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at $1,500 per month. The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employees' basic salary. The pension costs charged to profit or loss represent contributions payable to these funds by the Group at rates specified in the rules of these schemes.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

57. RETIREMENT BENEFITS SCHEMES (Continued)

The aggregate retirement benefits scheme contributions and pension costs for the Group's employees, net of forfeited contributions, which have been dealt with in profit or loss, are as follows:

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Retirement benefit scheme contributions in Hong Kong	**1**	1
Pension costs in the PRC	**235**	317
Total retirement benefit scheme contributions	**236**	318

At both 31 December 2018 and 31 March 2018, there were no forfeited contributions available to offset future employers' contributions to the schemes.

58. RELATED PARTY TRANSACTIONS

Trading transactions

During the period/year, in addition to the related party transactions disclosed elsewhere in the consolidated financial statements, the Group also has the following transactions with related parties:

Joint ventures

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Advertising and promotional expenses paid	**–**	2
Sales of finished goods	**1**	2
Repair and maintenance service fee income	**1**	2

Associates

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Advertising and promotional expenses paid	**–**	2
Interest paid	**7**	9
Sales of finished goods	**1,003**	1,198
Repair and maintenance service for paid	**1**	–

58. RELATED PARTY TRANSACTIONS (Continued)

Trading transactions (Continued)

Related parties

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Interest income from loan receivables from a related party *(Note)*	**22**	19
Consultancy fee paid to a substantial shareholder of the Company	**2**	2

Note: The related party is controlled by a substantial shareholder of the Company.

Compensation of key management personnel

The remuneration of directors and other members of key management including chief executive of the Company during the period/year was as follows:

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Short-term benefits	**31**	28
Post-employment benefits	**1**	1
Share-based payments	**14**	5
	46	34

The remuneration of directors and key management is reviewed by the remuneration committee having regard to the responsibilities and performance of the relevant individuals and market trends.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following lists the subsidiaries of the Company as at 31 December 2018 and 31 March 2018 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company (Note (a)) As at 31 December 2018	As at 31 March 2018	Principal activities
Skyworth Holdings Limited 創維控股有限公司	Samoa	Ordinary shares US$1	**100%**	100%	Investment holding
Skyworth Enterprises Limited 創維實業有限公司	Samoa	Ordinary shares US$1	**100%**	100%	Investment holding
Skyworth Investment (Holdings) Limited 創維投資(控股)有限公司	The British Virgin Islands	Ordinary shares HK$893 Preference shares HK$990	**100%**	100%	Investment holding
Skyworth TV Holdings Limited 創維電視控股有限公司	Hong Kong	Ordinary shares HK$30,600,000 Non-voting deferred shares HK$2,500,000 *(Note (b))*	**100%**	100%	Investment holding *(Note (h))*
深圳創維 – RGB電子有限公司 Shenzhen Chuangwei – RGB Electronics Co., Ltd.	PRC *(Note (c))*	Registered capital RMB700,000,000	**100%**	100%	Manufacture and sale of consumer electronic products
新創維電器(深圳)有限公司 Skyworth Electrical Appliances (Shenzhen) Co., Ltd.	PRC *(Note (d))*	Registered capital US$21,180,000	**100%**	100%	Manufacture of consumer electronic products and property holding
創維電子(內蒙古)有限公司	PRC *(Note (c))*	Registered capital US$24,400,000	**100%**	100%	Manufacture and sale of consumer electronic products
創維集團科技園管理有限公司	PRC *(Note (c))*	Registered capital US$39,500,000	**100%**	100%	Manufacture of consumer electronic products and property holding
創維集團有限公司	PRC *(Note (c))*	Registered capital HK$1,830,000,000	**100%**	100%	Investment holding

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company (Note (a)) As at 31 December 2018	As at 31 March 2018	Principal activities
Skyworth Macao Commercial Offshore Company Limited 創維澳門離岸商業服務有限公司	Macau	Ordinary shares MOP$100,000	– *(Note (i))*	100%	Deregistered
Skyworth Multimedia International Limited 創維多媒體國際有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Development Limited 創維海外發展有限公司	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Manufacture and sale of consumer electronic products
Skyworth Overseas Limited 創維海外有限公司	Hong Kong	Ordinary shares HK$2	**100%**	100%	Trading of consumer electronic products
創維數字股份有限公司 Skyworth Digital	PRC *(Note (f))*	Registered capital RMB1,070,931,280	**58.8%** *(Note (g))*	59.4% *(Note (g))*	Investment holding
深圳創維數字技術有限公司 Shenzhen Skyworth Digital Technology Co., Ltd.	PRC *(Note (e))*	Registered capital RMB300,000,000	**58.8%** *(Note (g))*	59.4% *(Note (g))*	Manufacture and sale of consumer electronic products and research and products development
深圳市酷開網絡科技有限公司 Shenzhen Coocca	PRC *(Note (c))*	Registered capital RMB127,487,687	**56.79%**	64.32%	Manufacturing and sale of consumer electronic products
創維液晶器件(深圳)有限公司	PRC *(Note (d))*	Registered capital HK$25,000,000	**58.8%** *(Note (g))*	59.4% *(Note (g))*	Manufacture and sale of consumer electronic products and research and products development
Skyworth Intellectual Property Holdings Limited	The British Virgin Islands	Ordinary share US$1	**100%**	100%	Intellectual property holding
Winform Inc.	The British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	100%	Property holding
Skyworth Moulds Industrial Company Limited	The British Virgin Islands	Ordinary shares US$10	**100%**	100%	Investment holding

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/paid up registered capital	Effective interest held by the Company (Note (a)) As at 31 December 2018	As at 31 March 2018	Principal activities
Skyworth Display Technology Holdings Limited 創維光顯科技控股有限公司	Bermuda	Ordinary shares HK$100,000	**83%**	83%	Investment holding
Skyworth Electronic Appliance Limited 創維電器有限公司	Hong Kong	Ordinary shares HK$116,392,500	**68.75%**	75%	Investment holding
南京創維家用電器有限公司	PRC *(Note (d))*	Registered capital US$50,000,000	**75%**	75%	Manufacture and sale of consumer electronic products and research and products development
創維集團財務有限公司	PRC *(Note (d))*	Registered capital RMB1,152,670,000	**100%**	100%	Financing
深圳創維科技諮詢有限公司	PRC *(Note (d))*	Registered capital RMB100,000,000	**100%**	100%	Investment holding

Notes:

(a) The Company directly holds the entire interest in Skyworth Holdings Limited and Skyworth LCD Holdings Limited. The interests of all other companies are indirectly held by the Company.

(b) The non-voting deferred shares practically carry no rights to dividends nor receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

(c) The subsidiaries are sino-foreign equity joint ventures registered in the PRC.

(d) The subsidiaries are wholly foreign owned enterprises registered in the PRC.

(e) The subsidiary is a joint stock limited company registered in the PRC.

(f) The subsidiary is a joint stock limited company established under the law of the PRC whose shares are listed on the Shenzhen Stock Exchange.

(g) The effective interest held by the Company included 1.59% (31 March 2018: 2.02%) equity interest held under treasury shares of a subsidiary of the Company.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes: (Continued)

(h) The subsidiary ceased its trading of raw materials which mainly denominated in US$ and remained as an investment holding company of major PRC subsidiaries of the Group during the year ended 31 March 2018. Thereafter, the functional currency of this subsidiary has been changed from US$ to RMB.

(i) The subsidiary was deregistered during the nine months ended 31 December 2018.

None of the subsidiaries had issued any debt securities outstanding at 31 December 2018 and 31 March 2018 or at any time during the period/year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		As at 31 December 2018	As at 31 March 2018	**As at 31 December 2018**	As at 31 March 2018	**As at 31 December 2018**	As at 31 March 2018
				RMB million	RMB million	**RMB million**	RMB million
Skyworth Digital	PRC	**41.20%**	40.60%	**85**	53	**1,016**	953
Shenzhen Coocaa	PRC	**43.21%**	35.68%	**30**	6	**655**	513
Individually immaterial subsidiaries with non-controlling interest				**18**	(19)	**214**	156
				133	40	**1,885**	1,622

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial informations in respect of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial informations below represent amounts before intragroup eliminations.

Skyworth Digital

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Current assets	**7,061**	6,647
Non-current assets	**1,128**	1,055
Current liabilities	**(5,193)**	(4,639)
Non-current liabilities	**(161)**	(353)
	2,835	2,710
Equity attributable to owners of the Company	**1,450**	1,395
Non-controlling interests of Skyworth Digital	**1,016**	953
Non-controlling interests of Skyworth Digital's subsidiaries	**369**	362
	2,835	2,710

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Skyworth Digital (Continued)

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Revenue	**6,068**	7,494
Expenses	**(5,854)**	(7,360)
Profit for the period/year	**214**	134
Profit attributable to owners of the Company	**122**	78
Profit attributable to the non-controlling interests of Skyworth Digital	**85**	53
Profit attributable to the non-controlling interests of Skyworth Digital's subsidiaries	**7**	3
Profit for the period/year	**214**	134
Total comprehensive income attributable to owners of Skyworth Digital	**2,614**	210
Total comprehensive income attributable to the non-controlling interests of Skyworth Digital	**1,831**	143
Total comprehensive income attributable to the non-controlling interests of Skyworth Digital's subsidiaries	**7**	3
Total comprehensive income for the period/year	**4,452**	356
Net cash inflow (outflow) from operating activities	**673**	(813)
Net cash (outflow) inflow from investing activities	**(32)**	110
Net cash (outflow) inflow from financing activities	**(294)**	791
Net cash inflow	**347**	88

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Shenzhen Coocaa

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Current assets	**1,829**	2,333
Non-current assets	**203**	92
Current liabilities	**(280)**	(808)
Non-current liabilities	**(191)**	(180)
	1,561	1,437
Equity attributable to owners of the Company	**860**	925
Non-controlling interests of Shenzhen Coocaa	**655**	513
Non-controlling interests of Shenzhen Coocaa's subsidiaries	**46**	(1)
	1,561	1,437

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Shenzhen Coocaa (Continued)

	Nine months ended 31 December 2018 RMB million	Year ended 31 March 2018 RMB million
Revenue	**529**	1,436
Expenses	**(460)**	(1,418)
Profit for the period/year	**69**	18
Profit attributable to owners of the Company	**39**	12
Profit attributable to the non-controlling interests of Shenzhen Coocaa	**30**	6
Profit attributable to the non-controlling interests of Shenzhen Coocaa's subsidiaries	**–**	–
Profit for the period/year	**69**	18
Total comprehensive income attributable to owners of the Company	**30**	32
Total comprehensive income attributable to the non-controlling interests of Shenzhen Coocaa	**23**	17
Total comprehensive income attributable to the non-controlling interests of Shenzhen Coocaa's subsidiaries	**–**	–
Total comprehensive income for the period/year	**53**	49
Net cash (outflow) inflow from operating activities	**(88)**	28
Net cash outflow from investing activities	**(479)**	(57)
Net cash inflow from financing activities	**51**	1,027
Net cash (outflow) inflow	**(516)**	998

60. FINANCIAL INFORMATION OF THE COMPANY

The following are the statement of financial position of the Company:

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million
Non-current Assets		
Interests in subsidiaries	**5,773**	5,682
Amounts due from subsidiaries	**1,990**	1,990
	7,763	7,672
Current Assets		
Other receivables	**9**	7
Amounts due from subsidiaries	**540**	537
Bank balances and cash	**1**	17
	550	561
Current Liabilities		
Other payables	**75**	74
Amounts due to subsidiaries	**1,070**	921
	1,145	995
Net Current Liabilities	**(595)**	(434)
Total Assets less Current Liabilities	**7,168**	7,238
Non-current Liability		
Corporate bonds	**1,990**	1,990
Net Assets	**5,178**	5,248
Capital and Reserves		
Share capital	**308**	308
Reserves	**4,870**	4,940
	5,178	5,248

60. FINANCIAL INFORMATION OF THE COMPANY (Continued)

The followings are the movements in reserves of the Company for the current period and prior year:

	Share premium RMB million	Share option reserve RMB million	Share award reserve RMB million	Shares held for share award scheme RMB million	Surplus account RMB million	Accumulated profits RMB million	Total RMB million
Balance at 1 April 2017	3,231	184	28	(130)	1,006	712	5,031
Loss and total comprehensive expense for the year	–	–	–	–	–	(43)	(43)
Recognition of equity-settled share-based payments *(note 47)*	–	15	7	–	–	–	22
Issue of shares under share option scheme of the Company	3	(1)	–	–	–	–	2
Issue of shares under scrip dividend scheme	58	–	–	–	–	–	58
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	(129)	(129)
Share vested under share award scheme of the Company	–	–	(29)	25	–	3	(1)
Lapse of share awards	–	–	(6)	–	–	6	–
Balance at 31 March 2018	3,292	198	–	(105)	1,006	549	4,940
Profit and total comprehensive income for the period	–	–	–	–	–	150	150
Recognition of equity-settled share-based payments *(note 47)*	–	4	17	–	–	–	21
Lapse of share option	–	(135)	–	–	–	135	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	(241)	(241)
Share vested under share award scheme of the Company	–	–	(7)	7	–	–	–
Balance at 31 December 2018	3,292	67	10	(98)	1,006	593	4,870

61. COMPARATIVE FIGURES

In order to conform with current period's presentation, comparative figures of trade receivables of RMB7,003 million, other receivables, deposits and prepayments of RMB1,924 million and bills receivable of RMB5,414 million previously included in the "trade and other receivables, deposits and prepayments" and "bills receivable" line items are recategorised into "trade receivables" and "other receivables, deposits and prepayments" on the consolidated statement of financial position as at 31 March 2018.

Financial Summary

RESULTS

	For the nine months ended 31 December 2018 RMB million	For the year ended 31 March 2018 RMB million	2017 RMB million	2016 RMB million	2015 RMB million
Revenue	**30,192**	39,271	37,147	35,010	32,068
Cost of sales	**(24,534)**	(32,726)	(29,719)	(27,332)	(25,657)
Gross profit	**5,658**	6,545	7,428	7,678	6,411
Other income	**628**	1,139	1,331	1,157	881
Other gains and losses	**(13)**	(178)	252	(2)	64
Impairment loss recognised in respect of financial assets	**(277)**	(77)	(79)	(43)	(44)
Gain on disposal of land and other associated assets	**–**	–	–	–	1,402
Selling and distribution expenses	**(2,862)**	(3,873)	(4,414)	(3,900)	(3,863)
General and administrative expenses	**(2,160)**	(2,472)	(2,484)	(2,116)	(1,386)
Finance costs	**(335)**	(322)	(311)	(196)	(129)
Share of results of associates	**9**	10	–	2	3
Share of results of joint ventures	**–**	(1)	(3)	3	(2)
Profit before taxation	**648**	771	1,720	2,583	3,337
Income tax expense	**(95)**	(272)	(394)	(511)	(660)
Profit for the period/year	**553**	499	1,326	2,072	2,677
Attributable to:					
Owners of the Company	**420**	459	1,136	1,779	2,499
Non-controlling interests	**133**	40	190	293	178
	553	499	1,326	2,072	2,677

ASSETS AND LIABILITIES

	As at 31 December 2018 RMB million	As at 31 March 2018 RMB million	2017 RMB million	2016 RMB million	2015 RMB million
Total consolidated assets	**45,160**	43,101	38,193	35,078	26,691
Total consolidated liabilities	**(27,805)**	(26,557)	(23,280)	(21,150)	(14,513)
Net assets	**17,355**	16,544	14,913	13,928	12,178
Attributable to:					
Owners of the Company	**15,470**	14,922	13,730	12,587	11,005
Non-controlling interests	**1,885**	1,622	1,183	1,341	1,173
	17,355	16,544	14,913	13,928	12,178

Amounts expressed in RMB millions (except for share data and items specifically stated)

	Nine months ended 31 December 2018	Year ended 31 March 2018	2017	2016	2015
OPERATING RESULTS					
Revenue	**30,192**	39,271	36,515	34,508	32,111
EBIT	**973**	1,083	1,993	2,739	3,460
Profit attributable to owners of the Company	**420**	459	1,116	1,754	2,503
DATA PER SHARE (CENTS)					
Earnings per share – basic (RMB)	**13.85**	15.21	38.04	61.34	88.58
Dividend per share (HK$)	**6.0**	9.0	14.6	24.0	24.5
Dividend payout ratio	**38.3%**	50.9%	33.6%	32.4%	39.2%#
KEY STATISTICS					
Equity attributable to owners of the Company	**15,470**	14,922	13,730	12,587	11,005
Working capital	**8,636**	9,731	8,247	8,903	7,203
Cash position*	**3,772**	8,142	4,528	4,600	2,996
Borrowings	**6,324**	7,476	7,089	6,760	2,071
Corporate bonds (inclusive of interest)	**2,026**	2,050	–	–	–
Bills receivable	**6,942**	5,414	5,745	6,042	5,845
Trade receivables	**9,474**	7,003	5,030	4,412	4,212
Inventories	**6,031**	5,202	5,913	4,582	3,478
Depreciation and amortisation	**541**	676	597	534	368
KEY RATIOS					
ROE (%)	**2.7**	3.1	8.1	13.9	22.7
ROA (%)	**18.5**	1.0	3.0	5.2	9.4
Debt to equity (%)**	**48.1**	57.6	47.5	48.5	17.0
Net debt to equity***	**Net Cash**	Net Cash	Net Cash	Net Cash	Net Cash
Current ratio (times)	**1.4**	1.4	1.4	1.5	1.6
Trade receivable turnover period excluding portion arising from discounted bills receivable (days)****	**131**	105	102	106	120
Inventories turnover period (days)****	**65**	62	65	55	49
Gross profit margin (%)	**18.7**	16.7	20.0	21.9	20.0
EBITDA margin (%)	**5.0**	4.5	7.1	9.5	11.9
EBIT margin (%)	**3.2**	2.8	5.5	7.9	10.8
Profits margin (%)	**1.8**	1.3	3.6	5.9	8.3

* *Cash position refers to pledged bank deposits, restricted bank deposits, bank balances and cash*

** *(Borrowings + corporate bonds)/total equity*

*** *(Cash position + bills on hand – borrowings – corporate bonds)/total equity*

**** *Calculation based on average inventory; average sum of bills receivable and trade receivables*

\# *Excluding one off gain and including special dividend of HK4.0 cents*

CALENDAR OF MAJOR IR ACTIVITIES

April – December 2018

Time	Events
May 2018	• 14th Annual J.P. Morgan Global China Summit 2018, Beijing China • Macquarie Greater China Conference 2018, Hong Kong • 23rd CLSA China Forum – CITIC Securities' Mid-year Capital Markets Conference, Hangzhou China
June 2018	• 2017/18 Annual Results Announcement • Luncheon and Video Conference with Japan and Singapore, arranged by Daiwa Capital Markets HK, Hong Kong • Credit Suisse HK/China Consumer Corporate Day, Hong Kong
July 2018	• Citi China Industrials and Mid-Cap Conference, Hong Kong • Investors Luncheon, arranged by BNP Paribas
August 2018	• 2017/18 Post Annual Results Roadshow, Singapore, arranged by CLSA • 2017/18 Annual General Meeting, Hong Kong
September 2018	• 25th CLSA Investors' Forum, Hong Kong
October 2018	• Value Partners Site Tour, Skyworth Headquarter at Nanshan Hi Tech Park, Shenzhen China • CMBI A+H Technology Corporate Day, Hong Kong • Temasek Off-site Tour in Shenzhen, Skyworth Industrial Park in Shiyan, Shenzhen China
November 2018	• Strategic Trip for Swedbank Robur Fonder & Industrifacke Metall Finans (MFAB), Skyworth Industrial Park in Shiyan, Shenzhen China, arranged by Jefferies • J.P. Morgan Global TMT Conference 2018, Hong Kong • Citi's China Investor Conference, Macau • 2018 (April – September, 2018) Interim Results Announcement • Post 2018 Interim Results Luncheon arranged by Daiwa Capital Markets HK, Hong Kong

BOARD OF DIRECTORS

Executive Directors

Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi *(Chief Executive Officer)*
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin *(Appointed with effect from 1 April 2018)*

Independent Non-executive Directors

Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Mr. Li Ming

MEMBERS OF COMMITTEES

Audit Committee

Mr. Cheong Ying Chew, Henry *(Chairperson)*
Mr. Li Weibin
Mr. Li Ming

Executive Committee

Mr. Lai Weide *(Chairman of the Board)*
Mr. Liu Tangzhi
Ms. Lin Wei Ping
Mr. Shi Chi
Mr. Lin Jin
Mr. Huang Mingyan
Mr. Wang Zhiguo
Mr. Lam Shing Choi, Eric
Mr. Wu Wei
Mr. Ying Yiming

Nomination Committee

Mr. Li Ming *(Chairperson)*
Mr. Li Weibin
Mr. Cheong Ying Chew, Henry
Ms. Lin Wei Ping

Remuneration Committee

Mr. Li Weibin *(Chairperson)*
Mr. Cheong Ying Chew, Henry
Mr. Li Ming
Ms. Lin Wei Ping

COMPANY SECRETARY

Mr. Lam Shing Choi, Eric

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Reed Smith Richards Butler
Michael Li & Co.

PRINCIPAL BANKERS

Bank of China Limited
China Merchants Bank Co., Ltd.
China CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1601-04 Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712-16
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

SHARES LISTING

Shares of the Company are listed on The Stock Exchange of Hong Kong Limited
Stock Code: 00751

IMPORTANT INFORMATION FOR 2018

Results Announcement Date

Annual Results: 28 March 2019 (Thursday)

Important Details for Final Dividend

Final Dividend per share
6.0 HK cents, cash dividend only

Closure Period of the Register of Members
From 6 June 2019 (Thursday) to 11 June 2019 (Tuesday), both days inclusive

Record Date
11 June 2019 (Tuesday)

Ex-entitlement Date
4 June 2019 (Tuesday)

Final Dividend Payment Date
Around 26 June 2019 (Wednesday)

COMPANY WEBSITE

http://www.skyworth.com

SKYWORTH

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